Tauranga Transport System Plan Levy

IFF Act Recommendation Report

Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development

17 November 2022

RECOMMENDATION REPORT – TAURANGA TRANSPORT SYSTEM PLAN LEVY			
Minister(s) receiving	Hon Dr Megan Woods, Minister of Housing		
Date	17 November 2022	**Priority**	High
Tracking number	HUD2022-000736		

Purpose

1. This recommendation report is intended to aid your consideration of the levy proposal submitted by Tauranga City Council (TCC) under the Infrastructure Funding and Financing Act 2020 (the Act) for the Western Bay of Plenty Transport System Plan (TSP). The report contains:

    - Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development's (HUD) assessment of the levy proposal against the purpose of the Act and the other mandatory considerations you must have regard to.
    - HUD's recommendation that the proposed levy be authorised.
    - All other information necessary for you to consider the levy proposal, including information about all the matters that would be required for inclusion in an Order in Council ("levy order") authorising the levy.

Executive summary

2. Tauranga City Council (TCC) has submitted a levy proposal for selected transport projects within the Western Bay of Plenty Transport System Plan (TSP). The TSP is made up of 72 individual transport projects designed to better connect the region and enable Tauranga City to become a more liveable and carbon-efficient city (for example, advancing projects designed to increase use of public transport and/or cycling lanes). TCC has selected 13 projects from the TSP and is proposing to partially fund some or all of these 13 projects using the model provided for by the Act.

3. If approved, the levy would enable a special purpose vehicle (SPV) to provide up to $200 million of funding to TCC for the construction costs of the 13 selected infrastructure projects. However, the IFF funding will be able to be applied flexibly across these projects by TCC and it is possible that only a subset of the 13 projects will receive any IFF funding. The total amount of funding provided by the SPV may also be less than $200 million if base interest rates increase before the approval of the levy.

4. The SPV would raise almost all of this funding through debt finance on the strength of a 30-year levy applying across the entire TCC rating base (excluding any protected Māori land) from 1 July 2024 until 30 June 2054. Over the entire levy period, up to approximately $525 million (plus GST, if any) of levy revenue will be able to be collected.[1] In addition to providing funding to repay the debt and equity finance for the

[1] The maximum levy revenue that may be collected would be exactly $524,846,339.54 (plus GST, if any).

selected projects, this revenue will also be applied to financing costs (i.e., interest and fees) as well as operating costs for the SPV.

5. Fifty percent of the levy would be charged to residential rating units and fifty percent would be charged to commercial rating units with the capital value of a property used to determine its annual levy liability. Based on TCC's current general rate forecast, it is estimated that in the first levy year (2024/25), a median CV residential rating unit would be charged a levy of $68, and a median CV commercial rating unit would be charged a levy of $521

Counterfactual funding approach

6. If the proposed TSP levy is not approved, the 13 TSP projects would instead be financed with debt raised by TCC (alongside funding from Waka Kotahi and other sources). In this scenario, the TCC debt would be funded through development contributions and a long-term targeted rate applied to all ratepayers in Tauranga.

7. The SPV's cost of borrowing would be greater than TCC's cost of borrowing from the Local Government Funding Agency (LGFA). At the time the levy proposal was being prepared TCC estimated that the SPV's cost of borrowing was 6.8%. While the financing enabled by IFF and LGFA borrowings are fundamentally different products and are used for different purposes, a cost of 6.8% per annum is more expensive than the financing costs of the counterfactual. The proposed levy would therefore need to fund larger interest payments than the counterfactual targeted rate.

8. However, despite being more expensive than the counterfactual:

   - The proposed levy is not expected to represent a material difference to levypayers' rates bills (inclusive of the levy) compared to the counterfactual.
   - Using a targeted rate instead of the IFF levy would result in TCC's long-term debt-to-revenue ratio coming close to the LGFA borrowing limit of 280% (peaking at approximately 270% in 2026).
   - The reduction in TCC borrowings through use of the IFF levy reduces the level of TCC's general or targeted rates rises required over the next 10 years to stay within LGFA borrowing constraints.

Evaluation of the levy proposal

9. As the responsible Minister for the Act, section 27(4) requires that you must only evaluate the levy proposal against the criteria listed in that section before deciding whether to recommend its approval. These criteria broadly cover whether the proposal is consistent with the Act's purpose, whether the levy appropriately allocates costs across the beneficiaries of the infrastructure and whether the levy is affordable for levypayers and in their long-term interests. Detail on the Act's requirements for your consideration of the levy proposal can be found at page 7.

10. HUD has assessed the levy proposal against the criteria in the Act and it is our opinion that:

    - The proposal is consistent with the Act's purpose.
    - The proposed levy appropriately allocates the cost of infrastructure both spatially and temporally across the beneficiaries of the selected TSP projects.
    - The proposed levy is in the long-term interests of levypayers and is affordable for them across the entire levy period.

11. HUD therefore recommends that the proposed TSP levy be authorised.

Next steps

12. If, having assessed the levy proposal against the criteria in the Act, you decide you want to recommend its approval, you will first need to consult the Ministers of Finance, Local Government and Commerce and Consumer Affairs. After this consultation, you will need to take a paper to Cabinet seeking approval for the proposed levy to be authorised by Order in Council.

13. If you decide to not recommend the levy's approval, HUD recommends writing to the TCC Commissioners to advise them of this.

Recommended actions

14. It is recommended that you:

1.	**Note** that Tauranga City Council has submitted a levy proposal for the Transport System Plan (TSP) to Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development.	*Noted*
2.	**Note** that when considering whether to recommend the authorisation of the proposed levy, the Act requires that you must only take the matters listed in section 27(4) of the Infrastructure Funding and Financing Act 2020 into account.	*Noted*
3.	**Note** that before you recommend the proposed levy order be made, you must first consult the Ministers responsible for the following Acts: • the Commerce Act 1986 • the Credit Contracts and Consumer Finance Act 2003 • the Local Government Act 2002 • the Local Government (Rating) Act 2002 • the Public Finance Act 1989.	*Noted*
4.	**Refer** copies of this recommendation report to the Ministers of Finance, Local Government and Commerce and Consumer Affairs for consultation.	*Referred*
5.	**Agree**, subject to consultation with the Ministers of Finance, Local Government and Commerce and Consumer Affairs, to recommend the authorisation of the proposed TSP levy.	*Agree/ Not Agree*

Fiona McCarthy **Policy Manager** 17/11/2022	Hon Dr Megan Woods **Minister of Housing** ..... / ...... / ......

Contents

Background

15. The Infrastructure Funding and Financing Act 2020 (the Act) enables a funding and financing model for the provision of infrastructure for housing and urban development. Under this model, a special purpose vehicle (SPV) is used to fund an infrastructure project, and a levy is charged against the beneficiaries of the infrastructure to repay any finance raised.

16. As the Minister responsible for the Act, you are responsible for considering levy proposals and deciding whether to recommend the making of an Order in Council ("levy order") authorising the collection of the levy. Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development (HUD) has prepared this recommendation report for your consideration in respect of the levy proposal received from Tauranga City Council (TCC) for selected transport projects within the Western Bay of Plenty Transport System Plan (TSP), as is required by the Act.

17. HUD has also been appointed to the monitor role under the Act. If the levy order is made, HUD will monitor the SPV's compliance with the Act and the Order in Council authorising the levy.

Transport System Plan levy proposal

18. The TSP is made up of 72 individual transport projects designed to better connect the region and enable Tauranga to become a more liveable and carbon-efficient city (for example, advancing projects designed to increase use of public transport and/or cycling lanes). TCC is proposing to fund up to 13 selected projects within the TSP using the model provided for by the Act.

19. If authorised, the TSP levy would enable up to $200 million of funding to be provided towards the construction costs of some or all of the 13 selected projects. This funding would be raised on the strength of a 30-year levy charged to levypayers across the entire TCC rating base (excluding any protected Māori land).

Development of levy proposal

20. TCC has worked closely with Crown Infrastructure Partners (CIP) to advance the proposed IFF levy and develop the levy proposal that has been submitted to HUD.

21. In March 2022, TCC commenced community consultation on the use of the proposed levy and its inclusion in the then upcoming Long-term Plan amendment (LTPA). After considering feedback from consultation, the TCC commissioners decided to incorporate the use of the proposed TSP levy into the LTPA.

22. CIP has also undertaken a competitive debt-raising process to obtain debt financing for the projects to be funded by the proposed TSP levy should it be authorised. Preferred financiers have been appointed and, if the proposed levy is authorised, financial close will be achieved once a levy order is in place.[2]

[2] Financial close is the satisfaction of all conditions to the availability of debt finance for the SPV, such that the SPV can then draw on that debt finance and make finance available to TCC for the projects.

23. The finance offers from the preferred financiers are time-limited and will expire on 31 December 2022. As such, should you wish to recommend the proposed levy be authorised, it may be necessary to have a levy order in place before the end of the year.

24. Following the conclusion of CIP's competitive debt-raising process, the terms of the levy proposal were finalised and the TCC Commissioners agreed to it being submitted to HUD.

How to assess the levy proposal

25. A levy under the Act can only be charged if authorised by an Order in Council ("levy order") made by the Governor-General on your recommendation as the Minister responsible for the Act. The Act sets out the process you must follow in assessing a levy proposal and deciding whether to recommend that a levy order be approved.

Mandatory considerations

26. Section 27(1) of the Act sets out that you may only recommend that a levy order be authorised if you are "satisfied that authorising the proposed levy is appropriate having regard to the matters set out in subsection (4) and in accordance with subsections (5) and (6)". Subsections (5) and (6) are irrelevant to your consideration of the TSP levy proposal.[3]

27. Section 27(4) requires that when you are assessing a levy proposal, you "must only take the following matters into account":

    a) whether the levy proposal is consistent with the purpose of the Act.[4]

        i. The purpose of the Act is to provide a funding and financing model for the provision of infrastructure for housing and urban development, that –

            a) Supports the functioning of urban land markets; and

            b) Reduces the impact of local authority financing and funding constraints; and

            c) Supports community needs; and

            d) Appropriately allocates the costs of infrastructure.

    b) the extent of expected benefits outside the levy area compared with expected benefits within the levy area.

    c) the distribution of expected benefits in the levy area as a whole or any identifiable part of the levy area, and to persons in the levy area.

    d) the extent to which the actions or inaction of particular persons or a group contribute to the need to undertake the construction work.

    e) the period over which benefits are expected to occur.

    f) the long-term interests of levypayers over the levy period.

[3] Sections 27(5) and (6) are not relevant to your consideration of the levy because the proposed levy does not apply sections 99 or 142 of the Act (pertaining to the power to construction eligible infrastructure on private land, and the limit on the usual rules for transactions and dispositions at under value).

[4] Section 3 of the Act contains the purpose.

g) the affordability of the levy for levypayers and the sustainability of its payment by them over the levy period.

h) all other matters of practicality, efficiency, and equity that you consider relevant, including whether the expected returns on the capital provided by holders of debt or equity are consistent with outcomes produced in workably competitive markets.

28. You may not take any other matter into account when assessing a levy proposal.

29. Under section 26 of the Act, in order to support your assessment, HUD (as recommender under the Act) is required to prepare a recommendation report that contains HUD's assessment of the proposal against:

a) the purpose of the Act;

b) the matters set out in sections 27(4)(a) to (g) of the Act; and

c) all other matters of practicality, efficiency, and equity that HUD believes may assist your consideration of the levy proposal.

30. HUD's assessment of the TSP levy proposal against all of these mandatory considerations is included in this report from page 22.

Consultation

31. Section 28 of the Act requires that before recommending a levy order, you must first consult the Ministers responsible for the following Acts:

- the Commerce Act 1986
- the Credit Contracts and Consumer Finance Act 2003
- the Local Government Act 2002
- the Local Government (Rating) Act 2002
- the Public Finance Act 1989.

32. These are the Minister of Commerce and Consumer Affairs, the Minister of Local Government and the Minister of Finance, respectively.

33. In preparing this report, HUD has consulted the Ministry of Business, Innovation and Employment (MBIE), the Department of Internal Affairs (DIA) and the Treasury (as the agencies responsible for each of the above Acts).

Approval of the levy

34. If, having assessed the proposal in light of this report, you choose to recommend the authorisation of the TSP levy, you will need to take a paper to Cabinet seeking approval of the levy.

35. As the offers from the preferred financiers are due to expire on 31 December 2022, should you wish to recommend authorisation of the proposed levy, it may be necessary to have the proposed levy order made by the Governor-General before the end of the year.

Transport System Plan Levy proposal

36. The Transport System Plan (TSP) is made up of 72 individual transport projects designed to better connect the region and enable Tauranga to become a more liveable and carbon-efficient city (for example, advancing projects designed to increase use of public transport and/or cycling lanes). These projects (including the up to 13 projects that would be funded by the levy) are intended to:

    - Support quality urban growth by improving access to social and economic opportunities like schools, general practitioner clinics, shops etc by different transport modes (walking, cycling, buses, vehicles).
    - Increase use of public transport, cycling and walking to help reduce transport-related greenhouse gas emissions.
    - Maintain off-peak (9am - 4pm) travel time predictability for freight via road and rail.
    - Improve road safety.

37. The proposed TSP levy would enable up to $200 million of funding to be provided towards the costs of construction across some or all of 13 projects that have been selected from the TSP. This funding would be raised on the strength of a 30-year levy charged to levypayers across the entirety of TCC's rating base (excluding any protected Māori land).

Counterfactual funding approach

38. If the proposed TSP levy is not approved, the 13 TSP projects would instead be financed with debt raised by TCC (alongside funding from Waka Kotahi and other sources). In this scenario, the TCC debt would be funded through development contributions and a long-term targeted rate applied to all ratepayers in Tauranga.
39. Using a targeted rate instead of the IFF levy would result in TCC's long-term debt-to-revenue ratio coming close to the Local Government Funding Agency (LGFA) borrowing limit of 280% (peaking at approximately 270% in 2026). Increases in TCC's general or targeted rates would also be required over the next 10 years to stay within LGFA borrowing constraints.
40. At the time the levy proposal was being prepared, the total financing costs for the proposed IFF transaction was 6.8% per annum. While the financing enabled by IFF and LGFA borrowings are fundamentally different products and are used for different purposes, a cost of 6.8% per annum is more expensive than the financing costs of the counterfactual.

The levy

41. The proposed levy would be charged from 1 July 2024 until 30 June 2054 (the "levy period") and would apply to the full district in which TCC is entitled, at any time, to charge general rates (the "TCC rating area"), excluding any protected Māori land. If the boundaries of the TCC rating area are updated over time, the proposed levy area would be automatically updated alongside it.

42. Over the entire proposed levy period, the maximum amount of levy revenue that may be collected is approximately $525 million (plus GST, if any).[5] The intended levy revenue in each year would increase from approximately $8.5 million in the first levy year to $27.8 million in the final levy year.

43. Fifty percent of the proposed levy would be charged to residential rating units in the levy area and fifty percent would be charged to commercial rating units. This split is based on TCC's determination that commercial properties will receive approximately 50% of the benefit of the projects funded by the levy. The capital value (CV) of a rating unit would be used for assessing the annual levy liability of both residential and commercial rating units.

44. Based on TCC's current general rate forecast, it is estimated that a median CV residential rating unit would be charged an annual levy of $68, and a median CV commercial rating unit would be charged an annual levy of $521 in the first levy year (2024/25). For the median CV residential rating unit, annual levies would increase to $80 in the 2029/30 year and $95 in the 2034/35 year. For the median CV commercial rating unit, annual levies would increase to $618 in the 2029/30 year and $730 in the 2034/35 year.

45. Further details on the proposed levy can be found in **Annex A**.

Eligible TSP infrastructure projects

46. 13 projects have been selected from the wider TSP to be the eligible infrastructure that the proposed IFF levy may be applied towards. These projects are all transport infrastructure projects and include works to the TCC-owned water services infrastructure in the vicinity of the transport infrastructure. The selected projects are intended to support quality urban growth across Tauranga and enable increased housing supply.

47. Construction of the projects will be undertaken by or on behalf of TCC and Waka Kotahi. The SPV will not be responsible for construction of the eligible TSP projects.

48. The 13 eligible TSP projects are summarised below:

Table 1: Eligible TSP Projects

Projects	Anticipated construction timing	Estimated Construction Cost ($m)
Hewletts Road sub access area (TSP 002) Transport infrastructure works in the Hewletts Road project area to improve access to the Port of Tauranga and Mount Maunganui.	July 2026 – June 2028	122.8
Connecting the People Fifteenth Avenue to Welcome Bay (TSP 007 & TSP 011) Transport infrastructure works on the route between City Centre fringe and Fifteenth Avenue, Turret Road and Welcome Bay to improve access to and from Te Papa Peninsula and City Centre.	July 2025 – June 2027	68.1

[5] The maximum levy revenue that may be collected would be exactly $524,846,339.54 (plus GST, if any).

Projects	Anticipated construction timing	Estimated Construction Cost ($m)
Tauriko West enabling works package (TSP 009) Transport infrastructure works to support new urban development and housing in Tauriko West, while also supporting the inter-regional freight movement function of SH29.	July 2022 – June 2027	121.3
Cameron Road Multi-modal Upgrade stage 1 Transport infrastructure works (including public transport, cycling and walking) on Cameron Road between Harington Street and Tauranga Hospital.	Current - June 2024	87.6
Cameron Road Multi-modal upgrade stage 2 (TSP 018) Transport infrastructure works (including public transport, cycling and walking) on Cameron Road between 15th Avenue Tauranga Hospital area and through Barkes Corner to integrate with Pyes Pa Road.	July 2023 – June 2027	153.1
Cameron Road corridor connections (TSP 019) Transport infrastructure works to improve access to Cameron Road to support the use of bus, walking and cycling facilities delivered in the stage 1 and 2 upgrade works.	July 2022 – June 2032	13.6
Primary cycle route facilities – Accessible Streets Area A (TSP 034) Improvements to walking, cycling and public transport facilities in Mount Maunganui, Papamoa and the CBD.	July 2023 – June 2028	61.0
Primary cycle route facilities – Accessible Streets Area B (TSP 035) Improvements to walking, cycling and public transport facilities in Otumoetai, Bellevue, and Brookfield.	July 2022 – June 2026	53.7
Tauranga Crossing bus facility improvements (TSP028) Transport infrastructure, including a public transport hub, to support multi-modal access to and from the Tauriko commercial area in and around Tauranga Crossing.	July 2028 – June 2030	10.4
City Centre Transport Hub (TSP032) Transport infrastructure, including a public transport hub and support for active transport modes, to support multi-modal access to and from the city centre.	July 2024 – June 2027	47.6
Barks Corner to Tauranga Crossing Multi-modal – Local Road component Transport infrastructure works to improve public transport connections between some local roads and SH36 on the corridor between Cameron Road and the Tauriko commercial centre in and around Tauranga crossing.	2026-2031	25.0
SH2 Revocation – Cameron Rd to Bethlehem Transport infrastructure works to support improvements to local roading networks to integrate with the revocation of the existing SH2.	2026-2031	25.0

Projects	Anticipated construction timing	Estimated Construction Cost ($m)
Maunganui Road – Future Proofing Infrastructure upgrades to roading, cycling and pedestrian facilities to improve safety and speed management. Enables improved connections and parking amenities to Blake Park & Mt Maunganui College.	2026-2031	25.0
TOTAL		**814.0**

49. The last three projects in the table above are not currently in TCC's Long-term Plan 2021-2031. As such, detailed cost assessments for these projects have not yet been undertaken.

50. Further detail on each of these proposed eligible infrastructure projects can be found in **Annex A**.

Funding of eligible infrastructure

51. The current estimate of the total construction cost for the 13 projects is $814 million. The proposed levy would enable up to $200 million of funding to be provided towards these construction costs. However, additional funding sources would also be needed to meet the total construction costs of the 13 projects. These funding sources could include TCC, Waka Kotahi and other sources of Crown funding such as the Infrastructure Acceleration Fund (IAF).

IFF funding

52. As noted above, the proposed levy for TSP would enable up to $200 million of funding (the "IFF funding amount") to be raised by the SPV from debt financiers and provided towards the construction costs of the 13 selected TSP projects. This IFF funding amount of $200 million was calculated based on the base interest rates around the date the levy proposal was submitted to HUD. However, the final IFF funding amount would be set at financial close and would depend on base interest rates at that time, the final financing terms and other minor matters (for example, the date of financial close):

    - If base interest rates increase, the final IFF funding amount will be lower than $200 million. Every 10-basis point (0.1% per annum) increase in the base interest rate between the levy proposal being prepared and financial close would reduce the IFF funding amount by approximately $3 million.

    - If base interest rates decrease, the final IFF funding amount will remain at $200 million. The decrease in base interest rates would instead result in the maximum amount of levy revenue that can be collected over the 30-year levy period decreasing.

53. TCC would determine what proportion of the IFF funding amount each of the 13 projects receives, subject to caps on the maximum funding each project can receive. Funding for each project will be capped at the lower of $50 million or 65% of the cost of construction except for:

- Tauriko West Enabling Works (TSP 009) where IFF funding would be capped at the lower of $50 million or 15% of the cost of construction (recognising that only 15% of the benefits of this project are expected to accrue to the entire TCC rating area).
- Hewletts Road sub access area (TSP 002) and Cameron Road multi-modal upgrade stage 2 (TSP 018) where IFF funding would be capped at the lower of $110 million or 65% of the cost of construction.

54. Maximum funding caps ensure that a similar transport co-funding model is applied to IFF-funded projects, including, for example, where Waka Kotahi co-funding is agreed. In addition, the costs to complete business cases that the levy can be applied towards will be capped at $25 million.

55. The flexibility around how the IFF funding is applied to the 13 projects means that the full IFF funding amount will be able to be used even if some of the projects are reprioritised or do not go ahead. For example, if the anticipated Waka Kotahi funding does not eventuate for one of the projects, TCC may be unable to proceed with this project. In this case, the full IFF funding amount would instead be applied to the remaining 12 projects.

56. If TCC intends to not proceed with a project, they will be required to notify the SPV of this. If TCC is unable to draw down the full IFF funding amount because too many projects are cancelled, the SPV will then discount the related eligible costs when calculating the forecast excess levy and the maximum amount of levy revenue over the levy period may be reduced.

Other funding sources

57. The other potential funding sources for the 13 selected projects include:

- **Waka Kotahi** – Based on the current construction cost estimate, Waka Kotahi would be expected to provide $370.8 million from the National Land Transport Fund. To date, over 25% of the Waka Kotahi funding has been confirmed. However, the remaining share of Waka Kotahi funding has been assumed as Waka Kotahi is unable to commit to funding beyond its three-year funding cycle.[6]
    - Where Waka Kotahi funding has been committed, the Waka Kotahi funding provided may increase if the cost of the project increases.

[6] The National Land Transport Plan is a dedicated fund to support the delivery of land transport investments. As it is funded by revenue raised from the land transport system, Waka Kotahi is legally required to limit its spending to the levels of available revenue in the Fund. It does this by only committing to provide funding in three-yearly cycles.

- If Waka Kotahi funding does not eventuate for one of the 13 projects, TCC has the option of seeking other funding sources for the shortfall or reprioritising the relevant project.

- **Infrastructure Acceleration Fund** – TCC had two IAF proposals proceed to the negotiation stage. Subject to funding agreements being successfully negotiated for these two proposals, $65.6 million of IAF funding would be made available for three of the 13 selected TSP projects.

- **COVID-19 Recovery Funding (Shovel Ready)** – $45 million of Shovel Ready funding is committed towards the Cameron Road Multi-modal Upgrade Stage 1 project.

58. Assuming all these funding sources eventuate, and the proposed levy is approved, this would leave a funding gap (based on current cost estimates) of $132.8 million. This funding gap would be met by TCC from a mixture of funding sources. These could include general rates and targeted rates.

59. Recognising that approximately 10% of the benefit of the projects is expected to accrue to beneficiaries outside the TCC rating area, there would be a requirement that at least 10% of the estimated cost of any of the projects be funded by sources other than TCC or the proposed TSP levy except where:

    - TCC has included, in its then-applicable Long-Term Plan and/or Annual Plan, a statement to the effect that some or all of that amount will be funded from the Council's own resources; and

    - TCC passes a resolution which confirms that they consider funding that component from its own resources is in the best interest of TCC ratepayers.

Eligible costs

60. As noted above, the TSP levy would enable up to $200 million of finance to be raised by the SPV and provided towards construction costs of the 13 TSP projects. The levy revenue would be applied towards:

    - Financing costs such as interest and fees, debt repayment and equity returns.
    - The cost of administering the levy.
    - General operating costs of the SPV.
    - Any further costs of the SPV in complying with the Act or the proposed levy order.

61. The table below details the expected eligible costs over the entire 30-year levy period:

Table 2: Eligible Costs

Construction and Construction Establishment Costs	
SPV Establishment Costs[7]	$1.0m
Construction & Construction Establishment Costs (IFF Funding Amount)[8]	$200.0m
Total	**$201.0m**
Financing Costs	
Debt Interest & Fees	$292.9m
Debt Repayment[9]	$225.5m
Equity Repayment & Return	$16.4m
Total	**$534.8m**
Levy Administration Costs[10]	
Levy Collection (by TCC)	-
Total	**$-m**
Operating Costs of the SPV	
General operating costs	$10.4m
Bad debts	$6.0m[11]
GST	$77.9m
Total	**$94.4m**
Additional funding sources	
Return of excess Levy to ratepayers	$1.0m
Interest earned on cash balances	-
Equity funding	($2.1m)
Debt funding	($225.5m)
Total	**($226.6m)**
Total Eligible costs funded by the Levy	**$603.6m**

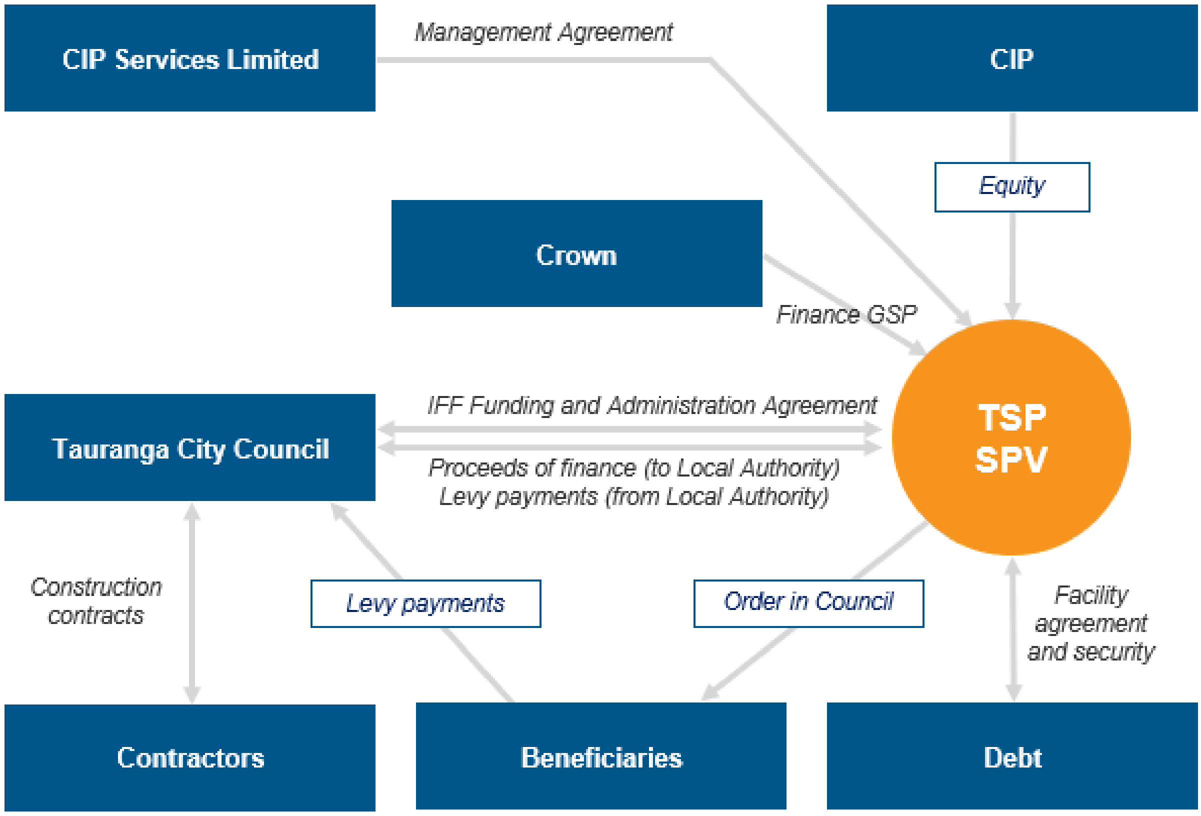
62. The above figures are based on the base interest rate at the time the levy proposal was prepared. If base interest rates increase before financial close, the total levy revenue collected will remain the same, but less will be applied towards construction costs and more will be applied to financing costs. However, if base interest rates decrease, the total levy revenue collected will reduce, with savings from decreased financing costs passed onto levypayers.

[7] The SPV Establishment Costs have been incurred by and will be reimbursed to CIP at financial close.
[8] Includes potential business case costs.
[9] The amount of debt that is raised and repaid is greater than the IFF funding amount due to capitalised interest, fees and pre-funding of reserves.
[10] Levy administration costs will not be charged by TCC as the SPV would then need to recover these costs by increasing the levy, effectively passing collection costs onto levypayers.
[11] Allowance for bad debts included to mitigate risk of levy under-collection impacting SPV solvency.

Contractual structure

63. The contractual structure of the proposed TSP IFF transaction is set out in the diagram below:

Figure 1: TSP IFF contractual structure



IFF Funding and Administration Agreement

64. The IFF Funding and Administration Agreement (IFFFAAA) would be the key contractual agreement between the SPV and TCC. The IFFFAAA would facilitate the provision of grant funding from the SPV to TCC for eligible construction costs for the 13 eligible TSP projects. The IFFFAAA will also provide for TCC to collect the levy through its rates invoicing process and pass on the levy revenue to the SPV.

65. CIP, as the intended owner of the SPV, has been negotiating the terms of IFFFAAA with TCC.

Facility Agreement

66. The facility agreement will be between the SPV and the financier(s). It will set out the arrangements under which debt will be provided to the SPV and be secured against the levy revenue.

67. The terms of the facility agreement have been developed through CIP's competitive debt process.

Government Support Package

68. The Government Support Package (GSP) will be an agreement between the Crown and the SPV. The GSP will cover losses to the SPV and/or its financiers arising from termination of the proposed levy order, certain changes in law, or successful judicial review proceedings that have the effect of reducing levy revenue. It will comprise an indemnity issued by the Minister of Finance under section 65ZD of the Public Finance Act 1989.

69. The Treasury has been responsible for negotiating the GSP with CIP and financiers. Should you choose to recommend the approval of the TSP levy, the Treasury will consider recommending the Minister of Finance provide a GSP to the SPV.

SPV ownership

70. At the commencement of the proposed levy, the SPV will be wholly owned by CIP through an intermediate holding company. CIP expects to provide up to $2.1 million of commercial equity to the SPV at financial close, however, the final amount of this equity would depend on base interest rates at that time. This equity will act as a buffer to the SPV’s senior debt and take first loss on certain risks to the SPV’s cashflows.

71. The pre-tax equity return will be 6.7% per annum. The equity returns are forecast to be earned in the final years of the levy period and the proposed levy order will cap the equity return (see **Annex A** for more details).

72. TSP Finance LP would be the sole responsible SPV entitled to the proposed levy revenue. Funding for the partnership interests in TSP Finance LP will be provided by CIP (IFF Holdings) Limited, a subsidiary of CIP.

73. If you choose to recommend the authorisation of the levy, CIP will issue a capital call for the SPV's funding requirements. Authorisation to pay this call by the Shareholding Ministers would be sought by the Treasury.

74. CIP will be unable to sell its equity in the SPV to a third party unless consented to in writing by HUD (as the IFF monitor). However, certain rights for financiers (for example, the right to appoint a receiver, a receiver and manager, an administrator, or a liquidator to the SPV, or to acquire the partnership interests in the SPV and shares in its general partner) would be provided for without triggering a need for consent from HUD.

Management Service Agreement

75. The Management Service Agreement will be between the SPV and CIP Services Limited (a subsidiary of CIP). This agreement will require the SPV to pay a fixed base fee of $180,000, indexed at a fixed 2.50% per annum, in return for management services. The agreement would also provide for the payment of additional fees for services not captured by the base fee.

76. The fees that would be charged by CIP Services Limited to the SPV are below the level required to recover all costs and have been set at a level broadly consistent with the approach taken by other funding providers available to councils, such as the LGFA.

Protected Māori land

77. Protected Māori land can only be included in the proposed levy area if the consent of owners of that land has been obtained and provided to HUD. As noted above, the proposed levy area for the TSP levy does not include any protected Māori land. As such, it has not been necessary to obtain the consent of any landowners.

78. At the time the levy proposal was submitted, TCC noted that further work was needed to determine the full extent of protected Māori land within its rating area. On 11 October 2022, TCC submitted an addendum to its levy proposal setting out an updated set of assumptions on the scale of protected Māori land within its rating area.

79. TCC has conservatively estimated that there would be at most 1,500 parcels of protected Māori land which are subject to general rates. Despite being rateable, these 1,500 properties would not be subject to the proposed levy as the landowners' consent has not been obtained.

80. In addition to the estimate of 1,500 parcels of protected Māori land that are rateable, TCC has identified 212 further parcels of protected Māori land within its rating area that are not rateable under TCC's rates remissions policy.

81. The analysis of the proposed levy has been based on the assumption of 1,500 parcels of rateable (but not leviable) protected Māori land. However, HUD considers that this estimate is likely to have overstated the true amount of protected Māori land within the TCC rating area. To the extent the actual amount of rateable protected Māori land is less than 1,500, the affordability of the proposed levy would marginally improve.

82. If the proposed levy is approved, TCC will need to complete a due diligence process to identify the actual properties that meet the protected Māori land definition and are therefore not leviable.

Process to estimate extent of protected Māori land

83. The assumption of 1,500 parcels of rateable protected Māori land was obtained by adding 247 parcels of Māori freehold land to an assumption of 1,200 parcels that meet the definition of protected Māori land contained in section 11(1)(h) of the Act. This figure was then rounded up to 1,500.

84. The category of protected Māori land included in section 11(1)(h) of the Act is dependent on both the history of the land and the ethnicity of its owners. This category applies to:

> *General land owned by Maori that was previously Maori freehold land, but ceased to have that status in accordance with—*
>
> > *(i) an order of the Māori Land Court made on or after 1 July 1993; or*
> >
> > *(ii) Part 1 of the Maori Affairs Amendment Act 1967.*

85. TCC has estimated that at most there would be 20 initial parcels of general land that had its status changed by an order of the Māori Land Court, and 240 initial parcels of general land (680 hectares) that had its status changed in accordance with the Maori Affairs Amendment Act 1967.

86. Assuming these initial parcels were all fully subdivided and developed since their status was changed, there would now be approximately 8,000 parcels of general land that would qualify as protected Māori land, if owned by Māori. Based on census data showing that 15% of the Tauranga population is Māori, TCC has estimated that 1,200 of these parcels would be owned by Māori and therefore qualify as protected Māori land.

87. TCC and CIP have commenced LINZ title searches on all the initial parcels of general land that had its status changed by an order of the Māori Land Court or in accordance with the Maori Affairs Amendment Act 1967. These title searches will confirm the subsequent changes made to the land, for example subdivisions. Indications to date are that the actual number of subdivided titles will be significantly lower than the higher-end, conservative assumption of 8,000 used by TCC in its addendum to the levy proposals. The number of general title properties that qualify as protected Māori land is therefore likely to also be significantly lower than the assumption of 1,200 properties.

Due diligence, general educational and targeted engagement processes to identify protected Māori land

88. If the proposed levy is approved, TCC (with support from the SPV) will need to determine, before the start of the first levy year, the full list of properties that qualify as protected Māori land and are therefore not leviable. For relevant general title properties that would be protected Māori land if owned by Māori, the due diligence process would, as much as possible, rely on LINZ and other public information to determine if the owners are Māori. For example:

    - Where land remains vested in the same individuals or family name as it was at the time of the status change, it will be considered protected Māori land and will be excluded from the levy area. Some of the title searches undertaken to date indicate blocks of land that have been retained by the same family or individuals, so those blocks of land will fall within this category.
    - Where land is owned by a company, the Crown or TCC, it will not comprise protected Māori land and will be leviable.

89. The SPV will undertake a general educational campaign in 2023 to ensure Tauranga residents understand the levy and whether their property potentially falls into a protected Māori land category. The SPV will establish a website and online form to collect any further details from those residents who consider that their property may be protected Māori land. CIP (the intended owner of the SPV) anticipates this would include providing a contact person to answer any questions on the levy generally and on how to ensure properties are correctly identified as protected Māori land.

90. In addition, for relevant general land that would be protected Māori land if owned by Māori, where it cannot be determined if the owners are Māori from publicly available information or from that collected during the general educational campaign, the SPV will undertake a targeted engagement programme. This targeted programme would ensure these owners have a full and timely opportunity to self-identify as Māori or non- Māori to determine if their properties were protected Māori land. This targeted programme would be run alongside the general education campaign.

91. On completion of the due diligence, general educational and targeted engagement processes where the SPV has not been able to determine (from publicly available

information or from confirmation from the owners) that properties are protected Māori land, or are likely to be protected Māori land, a final decision-making step will be required as to whether to apply the levy to these properties.

92. Despite the robust processes to identify protected Māori land, there remains a residual risk that:

- some leviable land is not charged a levy due to uncertainty as to whether it is protected Māori land; or
- some protected Māori land is charged a levy, in error. In this case, the owners of the incorrectly levied land will be able to inform TCC of the error and will be entitled to a full refund for any levy they had previously paid. The levy records for the land will also be updated to ensure the levy is not applied to that land in the future.

93. Where general land that would be protected Māori land if owned by Māori is sold throughout the levy period, the SPV will need to check if the new owners are Māori to determine if the land retains/gains protected Māori land status going forwards.

Endorsements

Levy Endorsement

94. TCC, as the proposed responsible levy authority, has provided a levy endorsement for the proposed levy. This endorsement can be found at **Annex B** and shows that TCC is satisfied that the proposed levy will not compromise its ability to collect rates during the proposed levy period.

Infrastructure endorsements

95. TCC and Waka Kotahi have provided infrastructure endorsements for the proposed eligible TSP infrastructure that they would be the responsible infrastructure authority for respectively. These endorsements can be found at **Annex C** and **Annex D** and show that TCC and Waka Kotahi have endorsed the technical specifications of the proposed eligible TSP infrastructure they would each be the responsible infrastructure authority for.

Other matters

Levy remission and postponement polices

96. If the TSP levy is approved, the SPV and TCC will be required to agree on the terms of a levy remission policy and a levy postponement policy. The SPV and TCC intend to adopt TCC's existing rates remission and postponement policies for the purposes of the levy remission and postponement policies.

Infrastructure vesting agreement

97. If the TSP levy is authorised, section 90 of the Act requires that the SPV and each of TCC and Waka Kotahi must enter into a vesting agreement for the transfer of eligible infrastructure to the responsible infrastructure authority. These agreements must specify the circumstances and conditions for the transfer of the infrastructure to TCC and Waka Kotahi respectively.

98. However, as the SPV will not be responsible for construction of the infrastructure, the vesting agreements will note that ownership of the infrastructure will always rest with TCC or Waka Kotahi respectively, so no further circumstances or conditions for the transfer of eligible infrastructure need to be provided for.

Cost of IFF

99. At the time the levy proposal was prepared, the all-up financing costs for the proposed IFF transaction were 6.8% p.a. This cost was based on the base interest rates at the time and the financing terms obtained by CIP through its competitive debt process.

100. As noted above, base interest rate increases between the proposal being developed and financial close will reduce the IFF funding amount that will be provided towards the construction of the 13 eligible TSP projects. This would also have the effect of increasing the all-up financing costs.

101. As of 25 October, base interest rates had increased from 3.44% p.a. (at levy proposal submission) to 4.99% p.a. and the expected all-up financing cost of IFF increased to approximately 8.01% p.a.

102. The TCC Commissioners indicated that they are unlikely to proceed with the IFF levy proposal if the all-up cost of IFF exceeds 7.73% p.a. At this level, the IFF funding amount provided towards the 13 projects would be approximately $170 million.

103. CIP, on behalf of the SPV, have agreed on options to ensure an all-up cost of IFF of about 7.73% p.a. should base interest rates remain above approximately 4.35% p.a. and the proposed levy order be approved. The Ministers of Finance and State-Owned Enterprises (CIP's shareholding Ministers) have also agreed in-principle to these options, where required to do so. As such, for the purposes of your evaluation, you should assume the IFF funding amount provided towards the 13 projects would be no less than approximately $170 million.

Monitoring

104. HUD has been appointed as the monitor for the Act. If the proposed levy is approved, HUD will be responsible for monitoring the SPV's compliance with the Act and the levy order. This will include reviewing and confirming the SPV's annual levy resolutions, reviewing and publishing the SPV's annual reports and inquiring into any aspect of the SPV's operations if HUD reasonably believes a significant problem relating to the SPV could exist or develop.

Reporting

105. The SPV must prepare an annual report on its operations and provide this to the monitor. The annual report must include audited financial statements, an audit report, and sufficient information to enable an informed understanding of its operations. The annual report must also include the annual levy set, the actual levy revenue collected, any forecast of excess levy revenue and any decision to reduce the maximum levy revenue.

Evaluation

106. This section of the recommendation report contains HUD's assessment of the TSP levy proposal against all of the matters listed in section 27(4) of the Act that you must consider when assessing the proposal. It is intended to aid your own consideration of the levy proposal against these matters.

Purpose of the Act – section 27(4)(a)

107. The purpose of the Act is contained in section 3 of the Act. The purpose is to provide a funding and financing model for the provision of infrastructure for housing and urban development, that –

    a) Supports the functioning of urban land markets; and

    b) Reduces the impact of local authority financing and funding constraints; and

    c) Supports community needs; and

    d) Appropriately allocates the costs of infrastructure.

108. HUD considers that the proposed TSP levy is consistent with the Act's purpose.

Provision of infrastructure for housing and urban development

109. The proposed eligible TSP infrastructure projects support both urban development and housing through increased opportunities for intensification, as well as opening up new growth areas.

Functioning of urban land markets

110. The need to undertake the 13 selected TSP projects is driven by the expected growth in Tauranga's population. The projects are intended to ensure that the city's transport network can cope with its growing population and will support the functioning of urban land markets by ensuring urban land across all of Tauranga is well-serviced by the transport network.

Local authority financing and funding constraints

111. The proposed levy would reduce TCC's financing and funding constraints as the debt finance raised would not appear on TCC's balance sheet.

112. In the absence of the proposed levy, the selected projects would be financed with debt raised by TCC and funded through development contributions and a long-term targeted rate applied to all ratepayers. In this counterfactual scenario, TCC would come close to its long-term debt to revenue ratio cap of 280%. This would constrain TCC's ability to fund other priority spending needs that emerge, particularly over the next 5-10 years.

Supports community needs

113. The 13 selected TSP projects will support community needs by improving access to social and economic opportunities like schools, jobs, general practitioner clinics and shops by different transport modes (walking, cycling, buses, vehicles).

114. In addition, the projects will support community needs by:

- reducing greenhouse gas emissions through increased use of public transport, cycling and walking;[12]
- maintaining or improving off-peak travel time predictability for freight via road and rail; and
- improving road safety.

Appropriately allocates the costs of infrastructure

115. HUD considers that the proposed levy would appropriately allocate the costs of the infrastructure across both time and location:

- As discussed below (see paragraphs 137-140), the 30-year levy period broadly aligns with the expected design-life of the eligible infrastructure, spreading the cost of the infrastructure over the levypayers that will benefit from the TSP projects over time.
- The eligible infrastructure projects have citywide benefits and the levy has been designed in such a way that citywide levypayers will not be subsidising either localised benefits or costs that would normally be incurred by beneficiaries outside of the TCC rating area (see paragraphs 117-126) In addition, the caps on the eligible costs that can be met for each eligible TSP project ensures a minimum number of projects will receive IFF funding, ensuring benefits are well-distributed and comparable across all parts of the city.

Beneficiary analysis

116. The proposed eligible infrastructure projects are intended to enhance the short- and long-term capacity of the TCC transport network and are expected to have the following benefits:

- **Service level improvement** – the projects are expected to result in an improved level of service to users of the TCC transport network. These improvements include reduced travel time, increased frequency of public services, and separated bus lines. These service level improvements can also accrue to those not using the transport network through receiving improved services from network users.

[12] Relative to the reference scenario, the TSP (including the (up to) 13 projects that would be funded by the levy) nearly doubles the regional Public Transport (PT) mode share, and almost triples it to key destinations such as the Central Business District. While the overall mode share across the whole sub-regional system remains low at 4%, the PT share for some key movements and corridors is approaching or exceeding 30%. Daily PT trips on Cameron Road (north of 15th Avenue intersection) are predicted to be approximately 5,400 trips in 2028 and 6,700 trips in 2048, when compared to 1,700 daily PT trips in 2018.

- **Growth** – the projects would support future development of an area through increased transport capacity. Growth benefits can be broken down into two sub-categories:
    - Citywide growth – the projects are expected to create additional transport capacity, supporting the needs of additional development across the TCC catchment.
    - Area specific growth – Some projects are likely to unlock currently undeveloped areas of the TCC catchment, enabling landowners to develop their land. TSP 009 (Tauriko West enabling works package) is the project with the most significant area specific growth benefits.
- **Renewal** – benefits arising due to the replacement of old infrastructure that needs to be repaired.

Extent of expected benefits outside the levy area compared with expected benefits within the levy area – section 27(4)(b)

117. The TCC transport network is utilised by a range of individuals and businesses from outside the proposed levy area. These network users can be broken down into two categories:
    - Network users that deliver benefits to the TCC region by patronising local businesses and the port through re-occurring trips.
    - "Pass-through" users of the transport network (i.e., a person travelling in the Tauranga region on holiday).
118. Both of these groups of network users from outside Tauranga City are expected to benefit from the service level improvements and renewal improvements arising from the projects. They may also benefit to a lesser extent to the growth benefits due to the flow-on effects of the projects on the wider transport network.
119. TCC commissioned research from Insight Economics that found approximately 10% of the projects' benefits are expected to accrue to network users outside of the TCC rating area. Insight Economics arrived at this conclusion because:
    - 8% of Tauranga City workers live outside the TCC rating area (according to 2018 census data).
    - Western Bay of Plenty residents make regular use of the transport network when travelling into the city to access businesses or services such as restaurants, shops or schools.
    - There is additional general through-traffic use of the network from out of city residents travelling in the region.
120. HUD has reviewed the Insight Economics research and considers that its findings are sound.
121. Non-TCC funding sources, for example Waka Kotahi funding or IAF funding, are expected to be used in conjunction with the proposed levy. This non-TCC funding is

raised from people across the entirety of New Zealand (i.e., general taxation and fuel excise), rather than just those who live in the TCC area.

122. Furthermore, the proposed levy has been designed to ensure that the proposed levypayers are not subsidising the 10% of the benefits expected to accrue to other network users. As noted above, at least 10% of the funding of the expected costs for each project will be required to come from a source other than the levy or TCC unless:[13]

- TCC has included, in its then-applicable long-term plan and/or annual plan, a statement to the effect that some or all of that amount will be funded from the Council's own resources; and
- TCC pass a resolution which confirms that they consider funding that component from its own resources is in the best interest of TCC ratepayers.

Protected Māori land

123. As noted above, the levy area excludes any protected Māori land. However, owners of protected Māori land within TCC's rating area would be expected to realise comparable benefits from the 13 selected TSP projects as those who do pay the levy.

124. Based on the assumption of 1,500 rateable but not leviable parcels of protected Māori land, protected Māori land would in 2023 account for less than 3% of the total capital value in the TCC rating area. As such, up to 3% of the benefits of the projects for those within the TCC rating area would be expected to accrue to owners of protected Māori land who do not pay the levy.

125. Furthermore, to the extent the assumption of 1,500 parcels of protected Māori land is an overestimate, the proportion of benefits attributable to owners of protected Māori land who do not pay the levy would be lower.

126. Given the Act only permits protected Māori land to be included in the levy area with the consent of the landowners and protected Māori land only represents a small proportion of the total TCC rating area, HUD considers it appropriate that protected Māori land is excluded from the proposed levy area.

Distribution of benefits within the proposed levy area – section 27(4)(c)

127. All transport network users in the TCC rating area are expected to benefit from the 13 eligible infrastructure projects regardless of where they live, work or study. Upgrades or improvements to one part of the transport network are expected to result in overall improvements to the entire network. Even if individual network users do not directly use any of the 13 eligible projects, the resulting increase in capacity/level of service provided will support other network users to switch to the newly improved parts of the network, reducing demand on those parts of the network that the ratepayer does use, lifting the overall level of service experienced by all network users.

[13] This requirement will sit in the IFFFAAA rather than the levy order.

128. While the 13 projects are all expected to have citywide benefits, the dispersion of these benefits across the city will differ from project to project. As such, each of the 13 projects can be assigned to one of the three categories below:

- **Projects with high citywide benefit that is relatively evenly distributed across the TCC rating area** – Cameron Road multi-modal upgrade stage 2, City Centre Transport Hub and Hewletts Road sub-access area.
    - These are projects in which the benefits are widely spread across the TCC rating area because they are in, or close to, the main commuter corridors or the central business district, or they cause widespread level of service improvements that benefit the city in a relatively broad and uniform manner.
- **Projects with high citywide benefit with some level of differential dispersion across the TCC rating area** – Connecting the People Fifteenth Avenue to Welcome Bay, Cameron Road corridor connections, Cameron Road multi-modal upgrade stage 1, Primary cycle route facilities – Accessible Streets programme Area A, Primary cycle route facilities – Accessible Streets programme Area B, Tauranga Crossing bus facility improvements, Barkes Corner to Tauranga Crossing multi-modal local road component, Maunganui Road future proofing and SH2 revocation (Cameron Road to Bethlehem).
    - These projects have high citywide benefits, but the benefits will be less evenly spread across the city. For example, beneficiaries located closer to the relevant project are likely to have a higher level of benefit than those located further away.
- **Projects with citywide benefits as well as easily identifiable benefits to a growth region** – Tauriko West enabling works package is the only project in this category.
    - This project would primarily provide localised growth benefits through enabling the development of approximately 2000 houses in the Tauriko West development area. However, the project will also provide citywide benefits through improving the overall performance of the transport network and freeing up capacity elsewhere in the network.
    - TCC commissioned Insight Economics to undertake an assessment of the project which concluded that 15% of the benefits of the project accrue across the entire TCC rating area, and 75% relate to the localised growth benefits (10% is attributed to beneficiaries outside of Tauranga). The proposed levy therefore caps the amount of levy revenue that can be used for this project at 15% of the total project costs.

129. The programme nature of the TSP will also contribute to the citywide dispersion of benefits. The cumulative impacts of each of the 13 projects will improve the level of service across the entire transport network, benefitting all network users. However, the levy revenue can be used flexibly, and it is likely it will only be applied to a subset of the projects. Depending on the projects that receive IFF funding, this could reduce the evenness of the dispersion of benefits across the TCC rating base. For example, if Maunganui Road Future Proofing is the only project to receive IFF funding, levypayers

in the vicinity of the project would be expected to benefit more than levypayers from other parts of the TCC rating area.

130. The proposed levy mitigates this risk through the inclusion of caps on the amount of IFF funding each project may receive. These caps will ensure multiple projects receive IFF funding, thereby increasing the evenness of the distribution of benefits across the TCC rating area.

131. Given the citywide benefits of the 13 projects, both taken individually and collectively as a programme of works, HUD considers it appropriate that the proposed levy would apply consistently across the entire levy area. While some levypayers will benefit more than others, it is unlikely to be practical to attempt to identify the precise level of benefits different levypayers receive and impose the levy accordingly. The programme nature of the 13 projects, along with the caps on IFF funding each project may receive, also means that any difference in the level of benefits different levypayers receive is unlikely to be material.

Dispersion of benefits between residential and commercial levypayers

132. Insight Economics, in a review commissioned by TCC, found that despite residential properties accounting for approximately 83% of the total capital value in Tauranga, commercial properties accounted for 52% of the trips on the transport network. In addition, commercial traffic takes up more space and contributes disproportionately to road wear at a rate of three times that of residential traffic.

133. This analysis supports charging 50% of the proposed levy to commercial properties and 50% to residential properties.

Extent to which actions or inactions of particular persons or groups contribute to the need to undertake the construction work – section 27(4)(d)

134. The need to undertake the construction work is driven by the expected population growth of Tauranga. The Western Bay of Plenty is one of New Zealand's fastest growing urban areas with a projected population in 2090 of 400,000 people, requiring an additional 95,000 homes and resulting in an additional two million transport movements across the region each day.

135. To respond to this growth, the SmartGrowth partnership (TCC, Bay of Plenty Regional Council and Western Bay of Plenty District Council) and Waka Kotahi are working together on the Urban Form and Transport Initiative (UFTI) Connected Centres Programme. The TSP takes UFTI's Connected Centres Programme vision and focusses on the first 30 years of transport planning required to make it happen.

136. The need for the construction work is therefore a city-wide issue, not driven by any particular persons or groups.

The period over which benefits are expected to occur – section 27(4)(e)

137. TCC's Infrastructure Development Code requires that all new road pavements must provide a minimum performance design life of 25 years before substantive pavement rework is required. Pavement rework or reconstruction works are also required to have a 25-year design life (unless otherwise agreed to by TCC). The benefits for each of the

13 eligible TSP projects would therefore be expected to occur for at least 25 years after completion.

138. The first of the 13 projects (Cameron Road multi-modal upgrade stage 1) is expected to be completed by 1 July 2024. This aligns with the proposed start of the levy period. Given a 25-year design life, the benefits from this project are expected to occur until at least 2049.

139. The other 12 projects are currently expected to be completed at various times between 2026 and 2032, suggesting the benefits for these projects will last at a minimum until between 2051 and 2057, respectively.

140. As discussed above, it is possible that only some of the 13 eligible infrastructure projects will be delivered. However, the benefits that occur from the projects that are successfully delivered would be expected to broadly align with the proposed levy period of 1 July 2024 to 30 June 2054.

Impact on levypayers

Long-term interests of levypayers – section 27(4)(f)

141. HUD considers that the proposed levy is likely to be in the long-term interests of levypayers. These interests include the benefits of the infrastructure across the entire levy period, the affordability of the levy over the entire levy period and how the levy compares with the counterfactual funding scenario. The benefits across the entire levy period are discussed above (see paragraphs 137-140) and the affordability over the entire levy period is discussed below (see paragraphs 146-156).

142. The counterfactual funding scenario would involve TCC borrowing from the LGFA to fund the infrastructure and repaying this debt through a targeted rate. To ensure TCC stays within its debt limits, this targeted rate would likely include an accelerated debt retirement component.

143. When comparing the expected level of the levy to the targeted rate profile, the levy is expected to be lower until the 2034 rating year and higher after this point. This is because the targeted rate would increase the burden on ratepayers in the short term to fund debt retirement, reducing the amount of interest that would need to be funded by ratepayers in the long-term.

144. Compared to the counterfactual targeted rate, the proposed levy would free up debt capacity for TCC, providing a number of potential benefits for levypayers. These benefits include:

- Reduced need for rate rises over the next 10 years that would otherwise be required to stay within the LGFA borrowing constraints.
- Increased financial flexibility for TCC, creating capacity for other infrastructure investments that will benefit levypayers.

145. However, the amount of funding raised from an IFF solution, and the extent to which the proposed levy frees up debt capacity for TCC, depends on any changes in base interest rates between the levy proposal being prepared and the date of financial close. As discussed above, base interest rate increases will reduce the amount of funding the

proposed levy would provide towards the infrastructure, subject to a floor of around $170 million (as discussed in paragraph 103). This could result in TCC needing to take on more debt to fully fund the 13 infrastructure projects, commensurately reducing the flow-on benefits for levypayers.

Affordability of the levy for levypayers and the sustainability of its payment by them over the levy period – section 27(4)(g)

146. In general, HUD considers that the proposed levy is likely to be affordable for most residential and commercial levypayers, and its payment will be sustainable over the levy period. Furthermore, when compared to the targeted rate counterfactual, the proposed levy is not expected to represent a material difference to ratepayers' total rates bills (inclusive of the levy). However, like with general residential rates and other household expenses, the proposed levy and the targeted rate counterfactual may both pose affordability challenges for some lower-income households.

Residential levypayers

147. The Local Government Rates Inquiry 2007 established a rough benchmark for affordability and considers that problems begin to arise when total rates bills exceed 5 percent of gross household income. TCC's levy proposal has included modelling of the total rates bill (including the proposed levy) for a median capital value residential property for a range of suburbs in Tauranga and compared this to the median household income for those suburbs. This modelling found that only two suburbs, Te Maunga North (5.4%) and Bethlehem North (5.2%), would have rates (including levies) to income ratios above 5% in the 2030/31 rating year.[14] Te Maunga North also has the lowest median household income of any suburb in Tauranga. One other suburb, Omanu Beach (4.9%), would also have a rates-to-income ratio close to 5%.

148. However, as shown in Table 3 below, the proposed levy would only represent a small fraction of the total rates bill for residential levypayers.

Table 3: Impact of the levy on residential rates bills

		TCC rates bill			IFF Levy bill			Total rates bill incl. IFF Levy			Rates bill increase		
		2025	2030	2035	2025	2030	2035	2025	2030	2035	2025	2030	2035
Residential													
Low Residential (1%)	CV $495k	$1,529	$2,101	$2,432	$34	$41	$48	$1,564	$2,141	$2,480	2.2%	1.9%	2.0%
Lower Quartile (25%)	CV $790k	$2,440	$3,353	$3,881	$55	$65	$76	$2,495	$3,417	$3,958	2.2%	1.9%	2.0%
Median (50%)	CV $980k	$3,027	$4,159	$4,815	$68	$80	$95	$3,095	$4,239	$4,909	2.2%	1.9%	2.0%
Upper Quartile (75%)	CV $1,210k	$3,738	$5,135	$5,945	$84	$99	$117	$3,822	$5,234	$6,061	2.2%	1.9%	2.0%
High Residential (99%)	CV $3,510k	$10,843	$14,895	$17,245	$244	$287	$339	$11,087	$15,183	$17,583	2.2%	1.9%	2.0%

149. In addition, despite the proposed levy having a greater all-up financing cost than the targeted rate counterfactual, it would only have a minor difference on the total rates bills (inclusive of levies) that residential households pay over the levy period (as shown in Table 4 below).[15]

[14] The latest Long-term Plan amendment adopted by TCC covers the period 2021-2031. The 2030/31 rating year would therefore include all rates increases planned for in the current LTPA.

[15] The accelerated debt retirement component of the targeted rate would mean the proposed levy would be slightly cheaper in the first 10 years and slightly more expensive in the remainder of the levy period.

Table 4: Total residential rates bill comparison - IFF levy versus targeted rate counterfactual

		Total rates bill incl. IFF Levy			Total rates bill - Counterfactual			IFF Levy versus Counterfactual			IFF Levy versus Counterfactual		
		2025	2030	2035	2025	2030	2035	2025	2030	2035	2025	2030	2035
Residential													
Low Residential (1%)	**CV $495k**	$1,564	$2,141	$2,480	$1,576	$2,156	$2,477	-0.8%	-0.7%	0.1%	-$12	-$15	$3
Lower Quartile (25%)	**CV $790k**	$2,495	$3,417	$3,958	$2,515	$3,441	$3,953	-0.8%	-0.7%	0.1%	-$19	-$24	$4
Median (50%)	**CV $980k**	$3,095	$4,239	$4,909	$3,119	$4,268	$4,904	-0.8%	-0.7%	0.1%	-$24	-$29	$5
Upper Quartile (75%)	**CV $1,210k**	$3,822	$5,234	$6,061	$3,851	$5,270	$6,055	-0.8%	-0.7%	0.1%	-$29	-$36	$6
High Residential (99%)	**CV $3,510k**	$11,087	$15,183	$17,583	$11,172	$15,287	$17,565	-0.8%	-0.7%	0.1%	-$85	-$105	$19

150. The above analysis demonstrates that an IFF levy is likely to be affordable relative to both income and rates for the median household in a given Tauranga suburb. However, we acknowledge that there are a number of households in Tauranga already under significant housing stress. Pockets of housing stress will exist in all types of household size, composition and principal income source, but are likely to particularly impact sole parent families, low-income households, renters and young people. Analysis in TCC's levy proposal also demonstrates that home ownership and mortgage size have a sizeable impact on the affordability of housing, rates and the proposed levy.

151. However, for households facing affordability concerns, the levy itself is unlikely to be a material cause of these concerns. The levy remission and postponement policies will also mirror TCC's rates remission and postponement policies and may be beneficial for households facing affordability issues. The design of the levy model, in particular the use of capital value to assess levy liability, rather than the application of a fixed charge component, may also be beneficial to these households.

Commercial levypayers

152. For commercial levypayers, the proposed levy would also only represent a small proportion of their overall rates bill and is expected to equate to an approximately 5.1% increase on commercial rates bills in the 2024/24 rating year.

Table 5: Impact of the levy on commercial rates bills

		TCC rates bill			IFF Levy bill			Total rates bill incl. IFF Levy			Rates bill increase		
		2025	2030	2035	2025	2030	2035	2025	2030	2035	2025	2030	2035
Commercial													
Lower Quartile (25%)	**CV $865k**	$5,421	$7,447	$8,621	$277	$328	$387	$5,698	$7,775	$9,008	5.1%	4.4%	4.5%
Median (50%)	**CV $1,630k**	$10,215	$14,033	$16,246	$521	$618	$730	$10,736	$14,650	$16,976	5.1%	4.4%	4.5%
Upper Quartile (75%)	**CV $3,320k**	$20,806	$28,582	$33,090	$1,062	$1,258	$1,486	$21,868	$29,840	$34,576	5.1%	4.4%	4.5%
High Commercial (99%)	**CV $41,783k**	$261,849	$359,706	$416,441	$13,367	$15,835	$18,705	$275,216	$375,542	$435,146	5.1%	4.4%	4.5%

153. Compared to the counterfactual targeted rate, the proposed levy would also only have a minor difference on the total rates bill paid by commercial levypayers. The levy would result in a small reduction in the total rates bill for the first 10 years compared to the counterfactual, followed by a small increase for the remaining 20 years of the levy period.

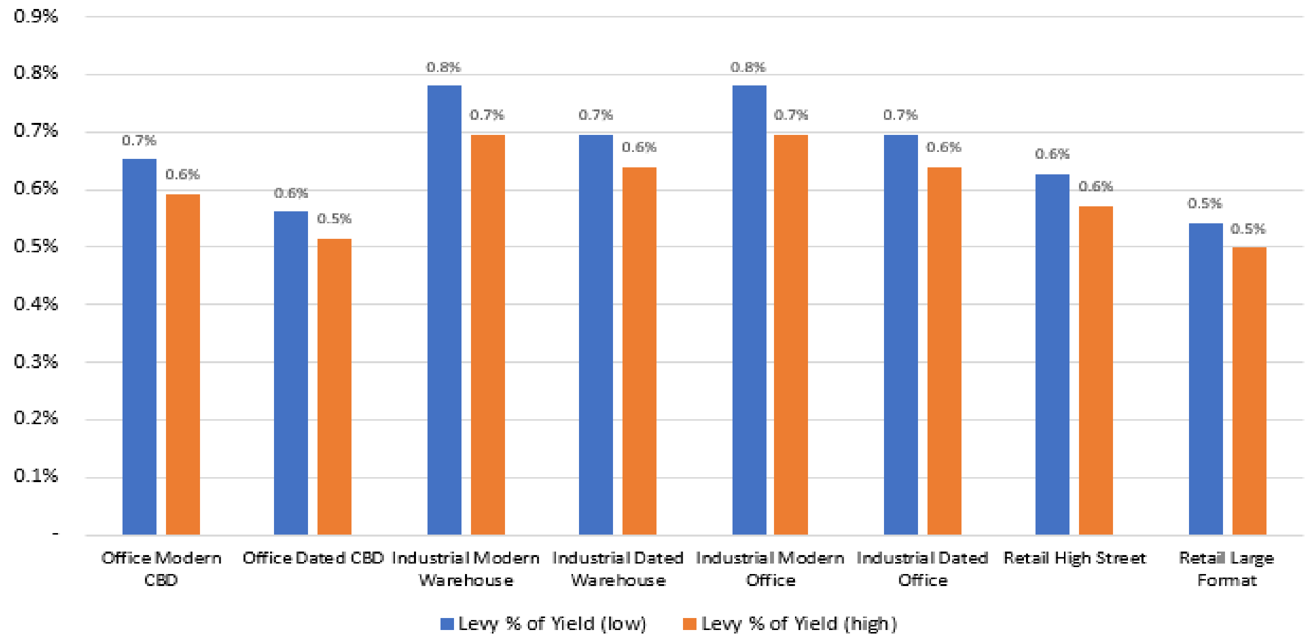
Table 6: Total rates bill comparison - IFF levy versus targeted rate counterfactual

		Total rates bill incl. IFF Levy			Total rates bill - Counterfactual			IFF Levy versus Counterfactual			IFF Levy versus Counterfactual		
		2025	2030	2035	2025	2030	2035	2025	2030	2035	2025	2030	2035
Commercial													
Lower Quartile (25%)	CV $865k	$5,698	$7,775	$9,008	$5,805	$7,904	$8,994	-1.8%	-1.6%	0.2%	-$107	-$129	$14
Median (50%)	CV $1,630k	$10,736	$14,650	$16,976	$10,938	$14,894	$16,949	-1.8%	-1.6%	0.2%	-$202	-$244	$27
Upper Quartile (75%)	CV $3,320k	$21,868	$29,840	$34,576	$22,279	$30,336	$34,521	-1.8%	-1.6%	0.2%	-$411	-$496	$55
High Commercial (99%)	CV $41,783k	$275,216	$375,542	$435,146	$280,387	$381,784	$434,458	-1.8%	-1.6%	0.2%	-$5,171	-$6,242	$688

154. The affordability of the levy is therefore likely to be broadly comparable to the affordability of the counterfactual targeted rate. Initial responses to TCC's public consultation on the proposed levy from key industry parties representing Tauranga's commercial sector also demonstrated support for the proposed levy.

155. To further assess the affordability of the proposed levy for commercial levypayers, TCC has assessed the expected levy against upper and lower estimates of commercial property yields[16] for a range of commercial property types. This analysis found that, if the levy was fully passed through to commercial tenants, it would be expected to have a less than one per cent increase on rents. As rents will only comprise a portion of a business's overall costs, the total impact on a business's cost base will be even less than this.

Figure 22: Proposed levy amount as a proportion of commercial property yields



156. The expected small increase on Tauranga businesses' cost bases related to the levy suggests, even if the levy is fully passed through to commercial tenants, it is unlikely to materially impact overall profitability. This further supports the affordability of the proposed levy for commercial property owners.

[16] Estimated annual rent divided by the value of a property

All other matters of practicality, efficiency or equity – section 27(4)(h)

157. The design of the proposed levy has needed to balance equity considerations on the one hand, with practicality and efficiency considerations on the other. The proposed levy would result in some degree of cross-subsidisation by levypayers that benefit from the infrastructure less than other levypayers. However, any dispersion of benefits across the city is likely to be minimal. It is therefore more practical to apply the levy on a uniform basis across the entire levy area.

Due diligence process to identify protected Māori land

158. As noted above, if the proposed levy is approved, TCC and the SPV will need to complete due diligence, and general educational and targeted engagement processes to identify the specific parcels of protected Māori land within its rating area. It is unlikely that this due diligence process will be 100 per cent accurate as:

- the due diligence processes will not always be sufficient to determine if a property qualifies as protected Māori land; and
- the educational and targeted engagement programmes undertaken by the SPV to target owners of relevant general land that was formerly Māori freehold land will likely not have a 100 per cent response rate.

159. As such, it is likely that some land will be incorrectly treated as protected Māori land and some protected Māori land will be incorrectly included in the levy area. However, owners of incorrectly levied properties will be able to inform TCC of these errors and receive refunds for any levy they had previously paid.

160. It would not be practical to have processes that identify protected Māori land with complete accuracy, especially as one of the categories of protected Māori land depends on the ethnicity of the owners. However, HUD is comfortable that the proposed process will have a high level of accuracy and ensures that where someone is incorrectly levied, this can be identified and remedied.

Competitiveness of expected returns for capital providers

161. HUD considers that the expected returns for capital providers of both debt and equity are consistent with the outcomes that would be expected to be produced in workably competitive markets.

Debt

162. CIP has undertaken a competitive debt process to seek proposals from the private market to provide the finance underpinning the IFF funding that would be provided to TCC if the levy is approved. This included approaching 15 domestic and international providers and arrangers of debt capital and culminated in five offers of finance. The competitive debt process was designed to attract competitive tension, ensuring that the returns on debt capital are consistent with outcomes produced in workably competitive markets.

Equity

163. CIP will hold 100 per cent of the equity in the SPV at financial close should the proposed levy be approved. Based on the levy proposal, CIP expects to provide up to $2.1 million of commercial equity, with the final amount to be determined by base interest rates at financial close.

164. The pre-tax equity return of 6.7% per annum was set at a margin above the debt interest rate at the time of the levy proposal. Debt interest rates have since increased, however, the pre-tax equity return will remain at 6.7%. The equity returns are forecast to be earned in the final years of the levy period and the proposed levy order will cap the equity return (see **Annex A**).

165. CIP has set the equity return by benchmarking it against a range of comparable equity and subordinated debt investments. This benchmarking, and the decision not to increase the pre-tax equity return in line with debt interest rate increases, has ensured the return on equity would be similar to, or below, the outcomes produced in workably competitive markets.

166. CIP has the right to provide additional equity into the SPV at any time in the lead up to, or following, financial close. The primary, but not sole, purpose of this mechanism is to ensure the financial solvency of the SPV. Any equity provided using this ‘cure mechanism’ will not earn a return and so may be inconsistent with outcomes produced in workably competitive markets. HUD considers this to be appropriate as the ‘cure mechanism’ is likely to be in the interest of levypayers.

167. HUD notes that CIP will own both the SPV and the entity providing management services to the SPV. This creates a risk that the equity returns to CIP could be effectively increased through charging above-market management services fees to the SPV. However, the management services fees are below the level required to recover all CIP costs and have been set at a level broadly consistent with the approach taken by other funding providers available to councils such as the LGFA.

Recommendation

168. Having considered the TSP levy proposal against the mandatory considerations in the Act (all of the matters set out above), HUD recommends that the proposed levy be authorised. This recommendation is based on HUD’s assessment that:

- The proposed levy is consistent with the purpose of the Act.
- The proposed levy appropriately allocates the cost of infrastructure both spatially and temporally across the beneficiaries of the selected TSP projects.
- The proposed levy is in the long-term interests of the levypayers and is likely to be affordable for them across the entire levy period.

Next steps

169. If, having considered the levy proposal against the criteria in the Act, you decide to recommend its approval, you will need to first consult the Ministers of Finance, Local Government and Commerce and Consumer Affairs, as required by the Act. Subsequent to this consultation, you will need to obtain Cabinet's approval for the proposed levy to be authorised by Order in Council.

170. If having considered the levy proposal against the criteria in the Act, you decide to not recommend its approval, we recommend you write to the TCC Commissioners to notify them of this.

Annexes

- Annex A: All information required for the levy order
- Annex B: Levy endorsement
- Annex C: Infrastructure endorsement – Tauranga City Council
- Annex D: Infrastructure endorsement – Waka Kotahi

ANNEX A: ALL INFORMATION REQUIRED FOR THE LEVY ORDER

171. The recommendation report must contain information about all of the matters set out in sections 31-33 of the Act and any of the matters set out in section 34 that the recommender considers relevant to the report. Sections 31-33 set out the content that must be included in a levy order and section 34 sets out the additional content that may be included in a levy order.

Levy area – section 31(1)(a)

172. The proposed levy area includes the full district in which TCC is entitled, at any time, to charge general rates under the Local Government (Rating) Act 2002 (“TCC Rating Area”) but excluding any protected Māori land.

173. If the boundaries of the TCC Rating Area are updated over time, the proposed levy area will be automatically updated alongside it. This could have a positive or adverse impact on affordability of the levy for individual levypayers but is not expected to be material in practice.

Eligible infrastructure – section 31(1)(b)

174. The proposed eligible infrastructure projects are 13 transport infrastructure projects that are a part of the Western Bay of Plenty TSP. The proposed eligible infrastructure projects also include works to TCC-owned water services infrastructure in the vicinity of the transport infrastructure.

175. The proposed eligible infrastructure projects are detailed below:

Table 7: Eligible infrastructure projects

Reference	Project Description	Anticipated construction timing
TSP 002 (Hewletts Road sub access area)	Series of works in relation to transport infrastructure in the Hewletts Road project study area in the vicinity of the Port and Mount Industrial area including on Hewletts Road, Totara Road, Hull Road, Maunganui Road, other existing local roads and potential new roads / connections, and related works to the rail network and utilities to improve access to the Port of Tauranga and Mt Maunganui and make it safer to move through and around this part of town. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.	July 2026 – June 2028
TSP 007 & TSP 011 (Connecting the People Fifteenth Avenue to Welcome Bay)	Series of works in relation to transport infrastructure on the route between City Centre fringe (e.g., Devonport Road; Fraser Street) and Fifteenth Avenue, Turret Road and Welcome Bay to improve the public realm and access to and from the Te Papa Peninsula and City Centre including increasing ease and safety of access to homes, schools, businesses, and shopping areas and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.	July 2025 – June 2027

Reference	Project Description	Anticipated construction timing
TSP 009 (Tauriko West Enabling Works Package)	Transport infrastructure works (including improvements) to support new urban development and housing developments in Tauriko West and employment within the Tauriko Business Estate while also supporting the inter-regional freight movement function of SH29 and related works to utilities. The works do not include the construction of a roundabout planned at State Highway 29 at the intersection of Redwood Lane and Kawaroa Drive referred to in the business case for this project as the 'Southern Connection' but, for the avoidance of doubt, do include works on Redwood Lane from the roundabout into Tauriko West. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.	July 2022 – June 2027
Cameron Road Multi-modal Upgrade stage 1	Delivery of transport infrastructure works including public transport, cycling, walking and public realm improvements to Cameron Rd between Harington Street and Tauranga Hospital to move people safely and support urban developments and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.	Current – June 2024
TSP 018 (Cameron Road multi-modal upgrade stage 2)	Delivery of transport infrastructure works including public transport, cycling, walking and public realm improvements to Cameron Rd between 15th Avenue Tauranga Hospital area and through Barkes Corner to integrate with Pyes Pa Road towards Cheyne Road to move people safely and support urban developments and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.	July 2023 – June 2027
TSP 019 (Cameron Road corridor connections (cycle, PT and pedestrian))	Delivery of transport infrastructure works to improve access to Cameron Rd to support the use of bus, walking and cycling facilities delivered in the Futureproofing Cameron Rd Stage 1 and 2 projects and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.	July 2022 – June 2032
TSP 034 Primary cycle route facilities (Accessible Streets programme - Area A Mount / Papamoa / CBD)	Delivery of transport infrastructure improvements to walking, cycling and public transport facilities to make it safe, convenient and more attractive to ride to or take public transport to places like schools, work, parks etc and related works to utilities. This is in combination with TSP 035. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.	July 2023 – June 2028
TSP 035 (Primary cycle route facilities (Accessible Streets programme - Area B Otumoetai / Bellevue / Brookfield))	Delivery of transport infrastructure improvements to walking, cycling and public transport facilities to make it safe, convenient and more attractive to ride to or take public transport to places like schools, work and parks and related works to utilities. This is in combination with TSP 034. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.	July 2022 – June 2026
TSP 028 (Tauranga Crossing bus facility improvements)	Delivery of transport infrastructure, including a public transport hub to support multi-modal access to and from the Tauriko commercial area in or around Tauranga Crossing and includes associated passenger facilities and active travel facilities like shelter or cycle storage to make public transport an attractive transport choice and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.	July 2028 – June 2030

Reference	Project Description	Anticipated construction timing
TSP 032 (City Centre Transport Hub)	Delivery of transport infrastructure, including a public transport hub to support multi-modal access to and from the City centre and includes associated passenger facilities and active travel facilities like shelter or cycle storage to make public transport an attractive transport choice and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.	July 2024 – June 2027
Barkes Corner to Tauranga Crossing Multi-modal Local Road component	Series of transport infrastructure works to improve public transport connections on the local road section (generally Taurikura Drive) and their integration with the state highway network (SH36) on the corridor between Cameron Road and the Tauriko commercial centre in and around Tauranga Crossing and includes associated walking and cycling and urban realm improvements and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.	2026-2031
SH2 Revocation – Cameron Road to Bethlehem	Series of transport infrastructure works to support improvements to local networks (e.g., roads, cycleways, public transport facilities like shelters) to integrate with the revocation of the existing State Highway 2 associated with Stage 1 of the Takitimu North Link project and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.	2026-2031
Maunganui Road Future Proofing	Transport infrastructure upgrades to roading, cycling & pedestrian facilities to improve safety, and speed management (e.g., shared footpath/cycleways, drainage improvements, raised pedestrian crossings, new round-abouts) and related works to utilities. The project will also provide improved connections & parking amenities to Blake Park & Mt Maunganui College as well as changes to the public transport network to future proof for clearways and bus lanes. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.	2026-2031

Eligible costs – section 31(1)(c)

176. The proposed levy would be able to be applied to the following eligible costs:

- costs of constructing the eligible infrastructure, including establishment costs
- financing costs such as interest and fees, debt repayment and equity repayment and returns
- the cost of administering the levy
- the general operating costs of the SPV
- any further costs of the SPV in complying with the Act or the proposed levy order.

Caps on the application of levy revenue to certain types of eligible costs – section 34(a)

177. There will be a cap applied to the level of funding that each eligible infrastructure project may receive:
    - IFF funding for TSP 009 will be capped at 15% of the cost of construction of that project.
    - IFF funding that can be applied to any other eligible infrastructure project will be capped at 65% of the total cost of construction for that project.
    - IFF funding for TSP 002 will be capped at $110 million of the cost of that project.
    - IFF funding for TSP 018 will be capped at $110 million of the cost of that project.
    - IFF funding for all other eligible infrastructure projects will be each individually capped at $50 million.

178. Funding for any individual project will therefore be capped at the lower of 65% of the total project cost (or 15% for TSP 009), or the individual dollar-value caps identified above.

179. In addition, the eligible costs to complete business cases will be capped at $25 million.

Levy period – section 31(1)(d)

180. The levy period is proposed to start on 1 July 2024 and run for 30 years until 30 June 2054.

Description of the levy – section 31(1)(e)

Maximum levy revenue – section 31(4)(b)(i)

181. The maximum amount of levy revenue that may be collected over the entire levy period is $524,846,339.54 (plus GST, if any).

Intended annual levy revenue – section 31(b)(ii)

182. The amount of levy revenue that the SPV intends to charge in each year of the levy period is given in Table 8 below:

Table 8: Intended annual levy revenue

Levy year ending 30 June	Intended annual levy revenue (plus GST, if any)	Levy year ending 30 June	Intended annual levy revenue (plus GST, if any)
2025	$8,486,865.33	2040	$16,878,365.52
2026	$9,556,344.18	2041	$18,496,766.67
2027	$9,865,732.19	2042	$18,657,355.10
2028	$10,175,120.20	2043	$18,817,943.54
2029	$11,262,687.95	2044	$20,571,836.01
2030	$11,482,221.29	2045	$20,700,390.08
2031	$11,701,754.63	2046	$20,828,944.16
2032	$12,950,946.81	2047	$22,767,634.79
2033	$13,189,442.11	2048	$22,907,292.59
2034	$13,361,700.70	2049	$23,014,863.90
2035	$14,702,908.32	2050	$25,119,561.98
2036	$14,890,045.56	2051	$25,236,424.65
2037	$15,077,182.80	2052	$25,353,287.32
2038	$16,582,724.35	2053	$27,670,053.87
2039	$16,730,544.93	2054	$27,809,398.01

183. The intended annual levy revenue will be periodically adjusted in accordance with the forecast excess levy process.

Categories of leviable land – section 32(1)

184. The proposed levy would apply differentially to two categories of land, residential and commercial.

185. Fifty percent of the levy will be charged to residential properties and fifty percent will be charged to commercial properties.

Factors for assessing levy liability – section 33(2)

186. For both residential and commercial rating units, the capital value of the rating unit would be used for assessing the levy liability of that rating unit.

187. The capital value of a rating unit is currently used by TCC when determining liability for targeted and/or general rates. It is likely a well understood factor by ratepayers and therefore creates a greater level of transparency as to how the liability of the levy is assessed.

Method of assessing levy liability – section 33(1)

188. By May 10 before the start of each year in the levy period, the SPV must set the annual levy for the upcoming levy year by:

- Taking the intended annual levy for that year (as set out in table 8 above or adjusted through the forecast excess levy process); and
- Adding the annual reconciliation amount for the prior levy year.

189. The annual reconciliation amount for a levy year will be calculated with the following steps:

1. Start with the annual levy for the year being reconciled.
2. Subtract the amount of levy assessed to date in the year being reconciled.
3. Subtract any increases in levy assessments for prior levy years determined after the previous annual reconciliation was undertaken.
4. Add any decreases in levy assessments for prior levy years determined after the previous annual reconciliation was undertaken.

190. The annual reconciliation for a levy year will occur between TCC sending out the final levy invoices for the year in February, and the SPV setting the annual levy for the next year by May 10. As such, there may be changes to the amount of levy assessed for a levy year after the reconciliation for that year has been completed (for example, because of an objection raised by a levypayer as to the amount of levy they have been assessed that is not resolved at the time the reconciliation is completed). Steps 3 and 4 above ensure these changes to the amount of levy assessed after the reconciliation will be taken into account in a later reconciliation.

Example – annual levy setting process

<u>2024/25 annual levy</u>

The annual levy is **$8,486,865.33**

- This is the intended annual levy for the 2024/25 levy year. There is no prior levy year to undertake the reconciliation for.

<u>2025/26 annual levy</u>

The intended annual levy for the year is $9,556,344.18. This must be added to the reconciliation amount for the 2024/25 levy year to calculate the 2025/26 annual levy.

- At the time of the reconciliation, $8,500,000 of levy had been assessed for the 2024/25 levy year.
- Reconciliation amount = $8,486,865.33 - $8,500,000 = -$13,134.67

The annual levy for 2025/26 is therefore **$9,543,209.51**

- $9,556,344.18 + (-$13,134.67) = $9,543,209.51

2026/27 annual levy

The intended annual levy for the year is $9,865,732.19. This must be added to the reconciliation amount for the 2025/26 levy year to calculate the 2026/27 annual levy.

- At the time of the reconciliation, $9,540,000 of levy had been assessed for the 2025/26 levy year. In addition, since the reconciliation for the 2024/25 levy year, the total levy assessment for the 2024/25 levy year had increased by $1,000.
- Reconciliation amount = $9,543,209.51 - $9,540,000 - $1,000 = $2,209.51

The annual levy for 2026/27 is therefore **$9,867,941.70**

- $9,865,732.19 + $2,209.51 = $9,867,941.70

191. Once the annual levy for a year has been set, it will be allocated to the leviable ratepayers based on the formulas below:

$$Residential\ levy\ rate = \frac{annual\ levy\ \times 50\%}{\text{aggregate capital value of residential rating units}}$$

$$Commercial\ levy\ rate = \frac{annual\ levy\ \times 50\%}{\text{aggregate capital value of commercial rating units}}$$

$$Levy\ amount\ per\ residential\ rating\ unit = Residential\ levy\ rate \times capital\ value\ of\ rating\ unit$$

$$Levy\ amount\ per\ commercial\ rating\ unit = Commercial\ levy\ rate \times capital\ value\ of\ rating\ unit$$

192. For the purposes of the above formulas:

- Rating unit includes any part of a rating unit with the applicable categorisation
- The aggregate capital values of residential and commercial rating units respectively are estimates of the aggregate capital values as at the start of the respective levy year.
- The aggregate capital values of residential and commercial rating units respectively exclude any rating units to the extent levy remission applies.

The responsible SPV – section 31(1)(f), (g) and (h)

193. TSP Finance LP would be the sole responsible SPV entitled to the proposed levy revenue.

194. TSP Finance LP will not be responsible for the construction of the eligible infrastructure. Construction will be undertaken by, or on behalf of TCC and Waka Kotahi.

Incorporation and ownership – section 34(d)

195. At the commencement date of the proposed levy order:

- TSP Finance GP Limited would be the sole general partner of TSP Finance LP;
- CIP (IFF Holdings) Limited would be the sole limited partner of TSP Finance LP and the sole shareholder of TSP Finance GP Limited; and
- Crown Infrastructure Partners Limited would be the sole shareholder of CIP (IFF Holdings) Limited.

Restricted change of control – section 34(e)

196. If a restricted change of control occurs (for example, a sale of the SPV not permitted by the levy order), the Act empowers the monitor to direct the SPV to not pay any specified distributions to restricted persons and the SPV must comply with that direction.

197. For the purposes of the proposed levy order, a restricted change of control would occur if the SPV is sold to a third party (other than specified intra-group reorganisations) unless this has been consented to in writing by the monitor.[17] In addition, the proposed levy order would provide for certain rights to financiers (for example to appoint a receiver, a receiver and a manager, an administrator, or a liquidator to the SPV or to acquire the partnership interests in SPV and shares in its general partner) without triggering a need for consent from the monitor.

Limits on returns on capital – sections 31(1)(i)

198. The proposed levy order would set out a maximum cumulative amount of cashflow that the SPV can pay to its equity investors for each year of the levy period. These annual equity caps would be based on net cumulative equity cashflows (i.e., where equity injections are negative and equity distributions are positive). The SPV would be able to pay amounts to equity to the extent net cumulative equity cashflows are no greater than the annual equity cap in that year.

199. The annual equity caps would be based on the aggregate dollar amount of limited partnership interests in TSP Finance LP subscribed for by CIP (IFF Holdings) Limited prior to 30 June 2023. This figure would then be rounded up to the nearest "final capital amount" listed on Table 9 on the following page for the purposes of determining the permitted net cumulative equity cashflows (plus GST if any).

200. The SPV will be required to notify the monitor of the final capital amount in advance of 30 June 2023.

201. If the aggregate dollar amount of limited partnership interests in TSP Finance LP subscribed for by CIP (IFF Holdings) Limited prior to 30 June 2023 is greater than $2,110,506 (being the largest "final capital amount" included in the Table 9), then the equity returns would be capped based in line with a final capital amount of $2,110,506. Equity investments above this amount would not earn a return and would only be able to be paid out at face value.

[17] CIP would likely also require the permission of its shareholding Ministers to sell the SPV.

Table 9: Limits on returns on capital for a range of final capital amounts

	Final Capital Amount			
Year ending 30 June	**$2,110,506**	**$2,001,070**	**$1,899,062**	**$1,800,705**
2023	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2024	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2025	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2026	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2027	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2028	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2029	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2030	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2031	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2032	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2033	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2034	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2035	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2036	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2037	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2038	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2039	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2040	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2041	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2042	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2043	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2044	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2045	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2046	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2047	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2048	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2049	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2050	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2051	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2052	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2053	(2,110,506)	(2,001,070)	(1,899,062)	(1,800,705)
2054	13,864,812	13,145,630	12,475,272	11,828,907
2055	14,223,032	13,485,485	12,798,005	12,135,133
2056	14,264,597	13,524,919	12,835,453	12,170,665
2057	14,306,354	13,564,535	12,873,073	12,206,361

Forecasting excess levy – section 31(1)(j)

202. Excess levy is levy revenue that, as at the end of the levy period, has not been applied to eligible costs. The SPV would be required to periodically forecast its excess levy. These forecasts would occur on 30 June 2023 and then at 30 June 2028 and at least every year thereafter.

203. To calculate its forecast excess levy, the SPV will add its cash balances to its forecast of the expected levy revenue over the remaining levy period and its forecast of the expected drawdowns of debt and equity funding over the remaining levy period and, subtract its forecast of the expected eligible costs over the remaining levy period.

204. For the purposes of determining the forecast of the expected eligible costs over the remaining the levy period the SPV will:

- include the latest forecast of future costs of the construction of eligible infrastructure received from Tauranga City Council;
- assume 1% of all future intended annual levy amounts are not received;
- assume the cost of future re-financings equals 1% of the forecast debt balance at the point of re-finance;
- assume that following any future refinancing debt balances will attract a margin of 1.60% per annum above the relevant base rate; and
- apply a contingency of between 7.5% and 10% on forecast payments to debt holders to the extent required to meet its commitments under any loan or obligations under any incidental arrangement.

Reduction in maximum levy revenue – section 34(b)

205. If at any time the forecast excess levy is greater than $1 million (excluding GST), the SPV would be required to reduce the maximum levy revenue to ensure the forecast excess levy no longer exceeds $1 million. In addition, the SPV would be required to make corresponding amendments to the intended annual levy revenue for the remainder of the levy period. The SPV would be required to promptly notify the monitor of these reductions.

206. The reduced intended annual levy revenue would be used for setting the annual levy for levy years beginning after the reduction occurs.

Surplus levy – section 34(c)

207. Surplus levy is the amount of levy payable in a levy year that exceeds the eligible costs incurred during that levy year.

208. The proposed levy order would not impose a cap or control on the amount of surplus levy that may be held in the levy account.

ANNEX B: LEVY ENDORSEMENT

Proposed Infrastructure Funding and Financing (Western Bay of Plenty Transport System Plan) Levy Order

Levy Endorsement issued under section 21 of the Infrastructure Funding and Financing Act 2020 (Act)

1. Tauranga City Council (as proposer under the Act) proposes that a levy be authorised under the Act to fund eligible costs relating to some (or all) of the eligible infrastructure comprised in the Western Bay of Plenty Transport System Plan (the **Programme**). A description of the Programme is set out in Schedule 1.

2. Tauranga City Council, in conjunction with Crown Infrastructure Partners Limited as facilitator, has developed a levy proposal, as contemplated by section 18 of the Act, in respect of the Programme (the **Levy Proposal**). The Levy Proposal has been delivered to the Ministry of Housing and Urban Development, in its capacity as recommender under the Act (**HUD**).

3. Tauranga City Council is the sole responsible levy authority for the Programme.

4. HUD has requested that Tauranga City Council, as responsible infrastructure authority, issue a levy endorsement in respect of the Programme.

5. This document is issued by Tauranga City Council in its capacity as responsible levy authority for the Programme and comprises the levy endorsement for the Programme for the purposes of section 21 of the Act.

6. Tauranga City Council hereby endorses the proposed levy.

7. The reasons Tauranga City Council, as responsible levy authority, has issued this levy endorsement are similar to the reasons why Tauranga City Council has proposed the Levy Proposal (as set out in the Levy Proposal).

8. Tauranga City Council confirms that it has no grounds to demonstrate that the proposed levy will compromise its ability to collect rates during the proposed levy period (a ground, specified under the Act, where a responsible levy authority may withhold the endorsement).

Issued at Tauranga on 6/9/2022

by **Tauranga City Council** by

Martin Grenfell
Chief Executive

Schedule 1 – Western Bay of Plenty Transport System Plan

Reference	Project Description
TSP 002 (Hewletts Road sub access area)	Series of works in relation to transport infrastructure in the Hewletts Road project study area in the vicinity of the Port and Mount Industrial area including on Hewletts Road, Totara Road, Hull Road, Maunganui Road, other existing local roads and potential new roads / connections, and related works to the rail network and utilities to improve access to the Port of Tauranga and Mt Maunganui and make it safer to move through and around this part of town. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
TSP 007 & TSP 011 (Connecting the People Fifteenth Avenue to Welcome Bay)	Series of works in relation to transport infrastructure on the route between City Centre fringe (e.g. Devonport Road; Fraser Street) and Fifteenth Avenue, Turret Road and Welcome Bay to improve the public realm and access to and from the Te Papa Peninsula and City Centre including increasing ease and safety of access to homes, schools, businesses, and shopping areas and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
TSP 009 (Tauriko West Enabling Work Package)	Transport infrastructure works (including improvements) to support new urban development and housing developments in Tauriko West and employment within the Tauriko Business Estate while also supporting the inter-regional freight movement function of SH29 and related works to utilities. The works do not include the construction of a roundabout planned at State Highway 29 at the intersection of Redwood Lane and Kawaroa Drive referred to in the business case for this project as the 'Southern Connection' but, for the avoidance of doubt, do include works on Redwood Lane from the roundabout into Tauriko West. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
Cameron Road Multi Modal Upgrade stage 1	Delivery of transport infrastructure works including public transport, cycling, walking and public realm improvements to Cameron Rd between Harington Street and towards Tauranga Hospital to move people safely and support urban developments and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
TSP 018 (Cameron Road multimodal upgrade stage 2)	Delivery of transport infrastructure works including public transport, cycling, walking and public realm improvements to Cameron Rd between 15th Avenue - Tauranga Hospital area and through Barkes Corner to

Reference	Project Description
	integrate with Pyes Pa Road towards Cheyne Road to move people safely and support urban developments and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
TSP 019 (Cameron Road corridor connections (cycle, PT and pedestrian))	Delivery of transport infrastructure works to improve access to Cameron Rd to support the use of bus, walking and cycling facilities delivered in the Futureproofing Cameron Rd Stage 1 and 2 projects and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
TSP 034 Primary cycle route facilities (Accessible Streets programme - Area A Mount / Papamoa / CBD)	Delivery of transport infrastructure improvements to walking, cycling and public transport facilities to make it safe, convenient, and more attractive to ride to or take public transport to places like schools, work, parks etc and related works to utilities. This is in combination with TSP 035. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
TSP 035 (Primary cycle route facilities (Accessible Streets programme - Area B Otumoetai / Bellevue / Brookfield))	Delivery of transport infrastructure improvements to walking, cycling and public transport facilities to make it safe, convenient, and more attractive to ride to or take public transport to places like schools, work and parks and related works to utilities. This is in combination with TSP 034. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
TSP 028 (Tauranga Crossing bus facility improvements)	Delivery of transport infrastructure, including a public transport hub to support multimodal access to / from the Tauriko commercial area in or around Tauranga Crossing and includes associated passenger facilities and active travel facilities like shelter or cycle storage to make public transport an attractive transport choice and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
TSP 032 (City Centre Transport Hub)	Delivery of transport infrastructure, including a public transport hub to support multimodal access to / from the City centre and includes associated passenger facilities and active travel facilities like shelter or cycle storage to make public transport an attractive transport choice and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
Barkes Corner to Tauranga Crossing Multi-modal Local Road component	Series of transport infrastructure works to improve public transport connections on the local road section (generally Taurikura Drive) and their integration with the

Reference	Project Description
	state highway network (SH36) on the corridor between Cameron Road and the Tauriko commercial centre in and around Tauranga Crossing and includes associated walking and cycling and urban realm improvements and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
SH2 Revocation – Cameron Road to Bethlehem	Series of transport infrastructure works to support improvements to local networks (e.g. roads, cycleways, public transport facilities like shelters) to integrate with the revocation of the existing State Highway 2 associated with Stage 1 of the Takitimu North Link project and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
Maunganui Road Future Proofing	Transport infrastructure upgrades to roading, cycling & pedestrian facilities to improve safety, and speed management (e.g. Shared footpath/cycleways, drainage improvements, raised pedestrian crossings, new round-abouts) and related works to utilities. The project will also provide improved connections & parking amenities to Blake Park & Mt Maunganui College as well as changes to the public transport network to future proof for clearways and bus lanes. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.

ANNEX C: INFRASTRUCTURE ENDORSEMENT – TAURANGA CITY COUNCIL

Proposed Infrastructure Funding and Financing (Western Bay of Plenty Transport System Plan) Levy Order

Infrastructure Endorsement issued under section 20 of the Infrastructure Funding and Financing Act 2020 (Act)

1. Tauranga City Council proposes that a levy be authorised under the Act to fund eligible costs relating to some or all of the eligible infrastructure comprised in in the Western Bay of Plenty Transport System Plan (the **Programme**). A description of the Programme is set out in Schedule 1.

2. Tauranga City Council will, subject to paragraph 8 below, be the responsible infrastructure authority for the elements of the Programme specified in Schedule 1 that do not comprise State Highway (together with, potentially, associated stormwater assets) and as determined in accordance with paragraph 3 (**TCC Infrastructure**). The responsible infrastructure authority for the balance of the Programme is Waka Kotahi New Zealand Transport Agency and Waka Kotahi New Zealand Transport Agency will provide a separate infrastructure endorsement under the Act in respect of the balance of the Programme.

3. The exact delineation between the TCC Infrastructure and the infrastructure for which Waka Kotahi New Zealand Transport Agency will be the responsible infrastructure authority will be determined following consenting and detailed design of the relevant projects comprised within the Programme.

4. The Ministry of Housing and Urban Development, as recommender, has requested that Tauranga City Council, as responsible infrastructure authority for the TCC Infrastructure, issue an infrastructure endorsement in respect of the Programme.

5. This document is issued by Tauranga City Council only in relation to its capacity as responsible infrastructure authority for the TCC Infrastructure in terms of section 20 of the Act, and comprises an infrastructure endorsement for the Programme for the purposes of section 20 of the Act.

6. Tauranga City Council hereby, subject to paragraph 8 below, endorses the known or expected technical specifications of proposed eligible infrastructure (being the TCC Infrastructure) comprised in the Programme on the grounds that:

   (a) it is satisfied that those specifications will be compatible with any wider infrastructure network of which it is to be a part, on the basis set out in paragraph 7 below; and

   (b) as the proposed responsible infrastructure authority for the TCC Infrastructure it will be able to plan for and meet the necessary operational and maintenance costs of the infrastructure after it is vested in the authority.

7. The reasons Tauranga City Council, as responsible infrastructure authority, has issued this infrastructure endorsement are:

   (a) it is supportive of the benefits that the Programme is anticipated to bring to Tauranga and its impact on the wider infrastructure network of which it forms part, including the TCC Infrastructure; and

(b) it will have the ability, as principal to the relevant construction contracts or through its standard funding and assurance processes and (if applicable) its other arrangements with Waka Kotahi New Zealand Transport Agency, to ensure that the final design and specifications of the TCC Infrastructure meet its own network requirements. This is relevant as some of the TCC Infrastructure is not yet fully designed due to the early stage in the development process at which this Infrastructure Endorsement is issued.

8. Nothing in this infrastructure endorsement represents any commitment by Tauranga City Council, (and without limitation does not commit Tauranga City Council) to:

(a) approve, proceed with or fund (in full or in part) any of the TCC Infrastructure/projects comprised in the Programme; or

(b) accept the vesting of any TCC Infrastructure designed and/or constructed by or on behalf of a party other than Tauranga City Council other than on terms agreed by Tauranga City Council.

Issued at Tauranga on 6/9/2022

by **Tauranga City Council** by

Martin Grenfell
Chief Executive

Schedule 1 – Western Bay of Plenty Transport System Plan

Reference	Project Description
TSP 002 (Hewletts Road sub access area)	Series of works in relation to transport infrastructure in the Hewletts Road project study area in the vicinity of the Port and Mount Industrial area including on Hewletts Road, Totara Road, Hull Road, Maunganui Road, other existing local roads and potential new roads / connections, and related works to the rail network and utilities to improve access to the Port of Tauranga and Mt Maunganui and make it safer to move through and around this part of town. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
TSP 007 & TSP 011 (Connecting the People Fifteenth Avenue to Welcome Bay)	Series of works in relation to transport infrastructure on the route between City Centre fringe (e.g. Devonport Road; Fraser Street) and Fifteenth Avenue, Turret Road and Welcome Bay to improve the public realm and access to and from the Te Papa Peninsula and City Centre including increasing ease and safety of access to homes, schools, businesses, and shopping areas and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
TSP 009 (Tauriko West Enabling Work Package)	Transport infrastructure works (including improvements) to support new urban development and housing developments in Tauriko West and employment within the Tauriko Business Estate while also supporting the inter-regional freight movement function of SH29 and related works to utilities. The works do not include the construction of a roundabout planned at State Highway 29 at the intersection of Redwood Lane and Kawaroa Drive referred to in the business case for this project as the 'Southern Connection' but, for the avoidance of doubt, do include works on Redwood Lane from the roundabout into Tauriko West. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
Cameron Road Multi Modal Upgrade stage 1	Delivery of transport infrastructure works including public transport, cycling, walking and public realm improvements to Cameron Rd between Harington Street and towards Tauranga Hospital to move people safely and support urban developments and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
TSP 018 (Cameron Road multimodal upgrade stage 2)	Delivery of transport infrastructure works including public transport, cycling, walking and public realm improvements to Cameron Rd between 15th Avenue - Tauranga Hospital area and through Barkes Corner to

Reference	Project Description
	integrate with Pyes Pa Road towards Cheyne Road to move people safely and support urban developments and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
TSP 019 (Cameron Road corridor connections (cycle, PT and pedestrian))	Delivery of transport infrastructure works to improve access to Cameron Rd to support the use of bus, walking and cycling facilities delivered in the Futureproofing Cameron Rd Stage 1 and 2 projects and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
TSP 034 Primary cycle route facilities (Accessible Streets programme - Area A Mount / Papamoa / CBD)	Delivery of transport infrastructure improvements to walking, cycling and public transport facilities to make it safe, convenient, and more attractive to ride to or take public transport to places like schools, work, parks etc and related works to utilities. This is in combination with TSP 035. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
TSP 035 (Primary cycle route facilities (Accessible Streets programme - Area B Otumoetai / Bellevue / Brookfield))	Delivery of transport infrastructure improvements to walking, cycling and public transport facilities to make it safe, convenient, and more attractive to ride to or take public transport to places like schools, work and parks and related works to utilities. This is in combination with TSP 034. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
TSP 028 (Tauranga Crossing bus facility improvements)	Delivery of transport infrastructure, including a public transport hub to support multimodal access to / from the Tauriko commercial area in or around Tauranga Crossing and includes associated passenger facilities and active travel facilities like shelter or cycle storage to make public transport an attractive transport choice and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
TSP 032 (City Centre Transport Hub)	Delivery of transport infrastructure, including a public transport hub to support multimodal access to / from the City centre and includes associated passenger facilities and active travel facilities like shelter or cycle storage to make public transport an attractive transport choice and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
Barkes Corner to Tauranga Crossing Multi-modal Local Road component	Series of transport infrastructure works to improve public transport connections on the local road section (generally Taurikura Drive) and their integration with the

Reference	Project Description
	state highway network (SH36) on the corridor between Cameron Road and the Tauriko commercial centre in and around Tauranga Crossing and includes associated walking and cycling and urban realm improvements and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
SH2 Revocation – Cameron Road to Bethlehem	Series of transport infrastructure works to support improvements to local networks (e.g. roads, cycleways, public transport facilities like shelters) to integrate with the revocation of the existing State Highway 2 associated with Stage 1 of the Takitimu North Link project and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
Maunganui Road Future Proofing	Transport infrastructure upgrades to roading, cycling & pedestrian facilities to improve safety, and speed management (e.g. Shared footpath/cycleways, drainage improvements, raised pedestrian crossings, new round-abouts) and related works to utilities. The project will also provide improved connections & parking amenities to Blake Park & Mt Maunganui College as well as changes to the public transport network to future proof for clearways and bus lanes. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.

ANNEX D: INFRASTRUCTURE ENDORSEMENT – WAKA KOTAHI

Proposed Infrastructure Funding and Financing (Western Bay of Plenty Transport System Plan) Levy Order

Infrastructure Endorsement issued under section 20 of the Infrastructure Funding and Financing Act 2020 (Act)

1. Tauranga City Council proposes that a levy be authorised under the Act to fund eligible costs relating to the eligible infrastructure comprised in in the Western Bay of Plenty Transport System Plan (the **Programme**). A description of the Programme is set out in Schedule 1.

2. Waka Kotahi New Zealand Transport Agency will, subject to section 7 below, be the responsible infrastructure authority for the elements of the Programme specified in Schedule 1 that comprise State Highway (and, potentially, associated stormwater assets) (**Waka Kotahi Infrastructure**). The responsible infrastructure authority for the balance of the Programme is Tauranga City Council and will be subject to a separate infrastructure endorsement under the Act. The exact delineation between the Waka Kotahi Infrastructure and the infrastructure for which Tauranga City Council will be the responsible levy authority will be determined following consenting and detailed design of the relevant projects comprised within the Programme.

3. The Ministry of Housing and Urban Development, as recommender, has requested that Waka Kotahi New Zealand Transport Agency, as responsible infrastructure authority for the Waka Kotahi Infrastructure, issue an infrastructure endorsement in respect of the Programme.

4. This document is issued by Waka Kotahi New Zealand Transport Agency only in relation to its capacity as responsible infrastructure authority for the Waka Kotahi Infrastructure in terms of section 20 of the Act and comprises an infrastructure endorsement for the Programme for the purposes of section 20 of the Act.

5. Waka Kotahi New Zealand Transport Agency hereby, subject to section 7 below, endorses the technical specifications (to the extent detailed in Schedule 1) of proposed eligible infrastructure (being the Waka Kotahi Infrastructure) comprised in the Programme on the grounds that:

   (a) it is satisfied that those specifications will be compatible with any wider infrastructure network of which it is to be a part, on the basis set out in paragraph 6 below; and

   (b) as the proposed responsible infrastructure authority for the Waka Kotahi Infrastructure it will be able to plan for and meet the necessary operational and maintenance costs of the infrastructure after it is vested in the authority.

6. The reasons Waka Kotahi New Zealand Transport Agency, as responsible infrastructure authority, has issued this infrastructure endorsement are:

   (a) it is supportive of the benefits that the Programme is anticipated to bring to Tauranga and its impact on the wider infrastructure network of which it forms part, including Waka Kotahi New Zealand Transport Agency's infrastructure; and

   (b) it will have the ability, as principal to the relevant construction contracts or through its standard funding and assurance processes and its other arrangements with Tauranga City Council, to ensure that the design and specifications of the Waka Kotahi Infrastructure meet its own network requirements. This is relevant as the Waka Kotahi Infrastructure is not yet fully designed due to the early stage in the development process at which this Infrastructure Endorsement is issued.

7. Nothing in this infrastructure endorsement represents any commitment by Waka Kotahi New Zealand Transport Agency, and without limitation does not commit Waka Kotahi New Zealand Transport Agency to:

   (a) approve, proceed with or fund (in full or in part) any of the Waka Kotahi Infrastructure/projects comprised in the Programme, nor to fund the operations and/or maintenance costs associated with such Waka Kotahi Infrastructure/projects comprised in the Programme; or

   (b) accept the vesting of any Waka Kotahi Infrastructure designed and/or constructed by or on behalf of a party other than Waka Kotahi New Zealand Transport Agency other than on terms agreed by Waka Kotahi New Zealand Transport Agency.

Issued at Wellington on 11 August 2022 by **Waka Kotahi New Zealand Transport Agency** by:

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Nicole Rosie
Chief Executive

Schedule – Western Bay of Plenty Transport System Plan

Reference	Project Description
TSP 002 (Hewletts Road sub access area)	Series of works in relation to transport infrastructure in the Hewletts Road project study area in the vicinity of the Port and Mount Industrial area including on Hewletts Road, Totara Road, Hull Road, Maunganui Road, other existing local roads and potential new roads / connections, and related works to the rail network and utilities to improve access to the Port of Tauranga and Mt Maunganui and make it safer to move through and around this part of town. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
TSP 007 & TSP 011 (Connecting the People Fifteenth Avenue to Welcome Bay)	Series of works in relation to transport infrastructure on the route between City Centre fringe (e.g. Devonport Road; Fraser Street) and Fifteenth Avenue, Turret Road and Welcome Bay to improve the public realm and access to and from the Te Papa Peninsula and City Centre including increasing ease and safety of access to homes, schools, businesses, and shopping areas and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
TSP 009 (Tauriko West Enabling Work Package)	Transport infrastructure works (including improvements) to support new urban development and housing developments in Tauriko West and employment within the Tauriko Business Estate while also supporting the inter-regional freight movement function of SH29 and related works to utilities. [The works do not include the construction of a roundabout planned at Redwood Lane referred to in the business case for this project as the 'Southern Connection']. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
TSP 013 (Cameron Road Multi Modal Upgrade stage 1)	Delivery of transport infrastructure works including public transport, cycling, walking and public realm improvements to Cameron Rd between Harington Street and towards Tauranga Hospital to move people safely and support urban developments and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
TSP 018 (Cameron Road	Delivery of transport infrastructure works including

Reference	Project Description
multimodal upgrade stage 2)	public transport, cycling, walking and public realm improvements to Cameron Rd between 15th Avenue - Tauranga Hospital area and through Barkes Corner to integrate with Pyes Pa Road towards Cheyne Road to move people safely and support urban developments and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
TSP 019 (Cameron Road corridor connections (cycle, PT and pedestrian))	Delivery of transport infrastructure works to improve access to Cameron Rd to support the use of bus, walking and cycling facilities delivered in the Futureproofing Cameron Rd Stage 1 and 2 projects and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure,
TSP 034 Primary cycle route facilities (Accessible Streets programme - Area A Mount / Papamoa / CBD)	Delivery of transport infrastructure improvements to walking, cycling and public transport facilities to make it safe, convenient, and more attractive to ride to or take public transport to places like schools, work, parks etc and related works to utilities. This is in combination with TSP 035. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
TSP 035 (Primary cycle route facilities (Accessible Streets programme - Area B Otumoetai / Bellevue / Brookfield))	Delivery of transport infrastructure improvements to walking, cycling and public transport facilities to make it safe, convenient, and more attractive to ride to or take public transport to places like schools, work and parks and related works to utilities. This is in combination with TSP 034. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
TSP 028 (Tauranga Crossing bus facility improvements)	Delivery of transport infrastructure, including public transport hub to support multimodal access to / from the Tauranga commercial area in or around Tauranga Crossing and includes associated passenger facilities and active travel facilities like shelter or cycle storage to make public transport an attractive transport choice and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
TSP 032 (City Centre Transport	Delivery of transport infrastructure, including a public transport hub to support multimodal access to / from the

Reference	Project Description
Hub)	City centre and includes associated passenger facilities and active travel facilities like shelter or cycle storage to make public transport an attractive transport choice and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
Barkes Corner to Tauranga Crossing Multi-modal Local Road component	Series of transport infrastructure works to improve public transport connections on the local road section (generally Taurikura Drive) and their integration with the state highway network (SH36) on the corridor between Cameron Road and the Tauranga commercial centre in and around Tauranga Crossing and includes associated walking and cycling and urban realm improvements and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
SH2 Revocation – Cameron Road to Bethlehem	Series of transport infrastructure works to support improvements to local networks (e.g. roads, cycleways, public transport facilities like shelters) to integrate with the revocation of the existing State Highway 2 associated with Stage 1 of the Takitimu North Link project and related works to utilities. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.
Maunganui Road Future Proofing	Transport infrastructure upgrades to roading, cycling & pedestrian facilities to improve safety, and speed management (e.g. Shared footpath/cycleways, drainage improvements, raised pedestrian crossings, new round-abouts) and related works to utilities. The project will also provide improved connections & parking amenities to Blake Park & Mt Maunganui College as well as changes to the public transport network to future proof for clearways and bus lanes. Works to Council-owned water services infrastructure in the vicinity of the transport infrastructure.